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ABSTRACT

Major policy considerations and the management of corporate philanthropy, along with new directions and future prospects of corporate philanthropy, are addressed in 40 articles written by chief executive officers, lawyers, economists, and other leading analysts. In addition, a list of resource materials, a glossary, and a list of organizations providing resources for developing corporate philanthropy programs are included. Articles and authors include the following: "Corporate Conduct in the Changing World" (Courtney C. Brown); "Guidelines for Giving" (Clifton C. Garvin, Jr.); "Business Considerations in Corporate Philanthropy" (William D. Ruckelshaus); "The Role of Business in Community Affairs" (C. William Verity, Jr.); "The Organization of a Corporate Philanthropy Program" (Alex J. Plinio); "The Use of New Technology in Grantmaking" (James N. Alexander); "Monitoring and Evaluation in a Corporate Philanthropy Program" (Richard R. Johnson); "Grantmaking in Specific Industries" (William G. Keller); "The Value of Noncash Contributions" (Jon A. Stewart); "Cooperation with the Public Sector" (Marilyn W. Levy); "Federal Budget Cuts and Future Challenges" (Pablo S. Eisenberg); and "Statistical Analysis of Corporate Philanthropy" (Kathryn Troy). (SW)

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CORPORATE PHILANTHROPY

Philosophy
Management
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Background

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Foreword

The idea of corporate philanthropy is relatively new, yet it is an idea of potentially major consequence for Western industrialized nations. Corporate philanthropy may be one of the signals that a new arrangement, a new kind of social contract, is emerging between business corporations and the American people.

Two hundred years ago, the arrangement was quite different. In a time of farmers, shopkeepers, and small merchants, business was seen in the public eye solely as the producer of goods and services. That ethic, embodied in notions of laissez faire and rugged individualism, reached its zenith in the late 19th and early 20th centuries—when corporations operated on distinctly self-centered concepts.

For many reasons, that has changed. Today, the men and women who run American business must be constantly aware of the public dimension of their responsibilities, just as they must be aware of the national and often international dimension of their markets. The size and scope of corporations today cause them to be viewed by the public as part of a new social order. The corporate charter is seen increasingly as a social as well as a legal charter—a grant from the public sector to the private sector, which confers upon the corporation a kind of trusteeship of the larger public good.

Not everyone agrees with this assessment of the situation, as at least one of the articles in *Corporate Philanthropy* will attest. Yet it must be clear to all that the health of business is dependent on the general health of the society in which it operates. In recognition of this, the Council on Foundations in 1981 commissioned this volume of essays to shed new light on the subject of corporate philanthropy. The plan was to examine what social good corporate philanthropy serves, and how; and to explore in an unhurried way the methods by which corporate philanthropy is being managed, what it has in common with other forms of philanthropy, and what opportunities—and pitfalls—lie ahead.

A publication of this sort is a kind of voyage of discovery, both for those who produce it and those who later read it. The discoveries here are many, and they arise from the research and experience of the many outstanding contributors, the ideas presented, and the rich variety of corporate philanthropy programs that are analyzed in these pages.

Coming from so many sources, and on such good authority, these reports remind the reader that corporate philanthropy is now an integral part of the philanthropic world. Those who manage corporate philanthropy are clearly full members of the larger community of philanthropy. Within that community we have much to learn from each other, and society has much to benefit from this collaboration.

Corporate philanthropy is only one kind of initiative from the private sector that can help alleviate social problems, extend social benefits, and contribute to desirable social change. A responsible corporation is one that locates a site responsibly, produces goods or delivers services responsibly, sets prices responsibly, deals with local communities and its own and foreign governments responsibly, and acts in the public sector responsibly.

The objectives of corporate philanthropy are necessarily more modest—but no less important for a community or a nation. The words and deeds of corporate leaders have much to do with the future of the American people. When corporations commit themselves to assist in the philanthropic sector, they send a strong signal to the rest of society. They reaffirm basic values and goals. As the essays in this volume make clear, the needs of society are so great that they challenge the creativity and resources of all institutions—public and private, profit and nonprofit alike.

It is for this reason that the mission of the Council on Foundations in relation to corporate grantmakers now parallels its mission with all grantmakers: to develop opportunities, resources, and a public climate that will encourage and stimulate effective and responsible grantmaking. In a small but important way, this volume of essays takes the Council one step closer to the fulfillment of its announced mission.

James A. Joseph

James A. Joseph
President and Chief
Executive Officer
Council on Foundations

Washington, D.C.
June 1, 1982

Preface

For many years the Council on Foundations has provided valuable information to its members about ways to make grantmaking more effective. In *Corporate Philanthropy*, the Council continues this tradition by turning its attention to one of the most timely and least understood facets of philanthropy in America.

The idea for this publication arose early in 1980, when the then chief executive officer of the Council, Eugene C. Struckhoff, proposed to the board of directors that the Council explore the subject of corporate philanthropy. The board appointed an advisory committee (listed on p. 159). Under the leadership of James P. Shannon, the advisory committee provided the ideas and the imagination that developed into the basic concept for this report.

Members contributed ideas, suggested topics to be covered, provided access to knowledgeable people for the writers, and generally offered guidance throughout the project. The committee also led workshops in Boston, Chicago, Minneapolis, and San Francisco; foundation executives and corporate giving staff members attended these sessions and made valuable suggestions on the publication.

From the very beginning, the plan was to assemble several dozen articles on assigned topics by leading people in the field and by accomplished writers. *Corporate Philanthropy* consists of eight policy articles written by chief executive officers, lawyers, and economists, and nearly three dozen assigned articles written by other highly qualified individuals. Some 40 authors selected from across the country produced articles with a broad range of opinion, differing emphasis and insight, and a wide variety of illustrative detail. A particular note of appreciation goes to the corporate executives and corporate giving staff who accepted the invitation to write assigned articles and essays.

A prime objective of this publication is to encourage small and medium-sized companies to expand and improve their giving programs. Authors were urged to include examples of outstanding programs from companies of a variety of sizes.

Financial underwriting for this publication was provided by more than 20 corporations and two private foundations, in addition to the Council on Foundations. Without the generous support of these contributors, which are listed on p. 160, this publication would not have been possible. In-kind support came through the time given by advisory commitee members and experts in the field who agreed to write articles.

Throughout the project, Judith A. Borden, program assistant, and B.J. Stiles, director of communications and public affairs, provided constant and valuable help. Joseph Foote was managing editor and adviser for all editorial and production matters, and Mary E. Cadette edited the manuscript. Ayana English prepared the manuscript for typesetting, and Thomazine Shanahan helped with final production work. Their assistance was invaluable.

Alice Muckler

Alice Muckler
Director
Corporate Philanthropy Project
Council on Foundations

Washington, D.C.
June 1, 1982

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Corporate Philanthropy In the Eighties:

An Introduction

By James P. Shannon

The blend of public and private financing to support educational, social, and cultural endeavors has become a unique feature of American society. The current withdrawal of government from support of traditionally nonprofit efforts is generating new interest in private philanthropy in general and in corporate philanthropy in particular.

The phenomenon of corporate philanthropy is of recent origin in this country. The major private philanthropic foundations were originally endowed with family fortunes made in American industry; the names of Carnegie, Ford, Hill, Huntington, Rockefeller, and Stanford come to mind. Libraries, museums, universities, orchestras, settlement houses, and YMCAs across the land bear enduring witness to this tradition of creative private support for diverse public needs.

Corporate philanthropy did not develop until this century. Strict constructionists among corporate attorneys and judges believed for a long time that publicly held companies lacked the legal right to make philanthropic gifts from corporate profits. In 1935, however, the Internal Revenue Service first allowed corporations to deduct from taxable income up to 5 percent of pre-tax earnings for gifts made to qualified charities, and the notion of corporate philanthropy was legitimized.

Once born, corporate philanthropy grew vigorously. By 1979, for the first time, the total of all reported corporate philanthropy ($2.45 billion) exceeded total giving by all private foundations ($2.24 billion). It is probable that this trend will continue.

Social and political developments in the United States have generated a changed set of circumstances in the early 1980s that make the study of corporate philanthropy especially timely. Government has cut its financial support to education, the arts, health care, and to many social services. Simultaneously, government has called on the private sector to help fill the gap created.

Nonprofit agencies are being forced to acquire new fundraising skills. Corporate grantmakers are being forced to reexamine the premises on which they act and to recognize the limits of their programs. Corporations that do not have giving programs are reviewing their policies on this subject.

Corporate Philanthropy Today

Against that background, the publication of *Corporate Philanthropy* offers a timely and well-focused study for use by persons in both the corporate and philanthropic fields as well as nonprofit organizations. Within the large field of corporate philanthropy, this report focuses on the subject of cash giving. In order to set that topic in context, the report necessarily covers noncash philanthropy as well, but not in depth.

The general purpose of the publication is to promote more effective corporate philanthropy. Companies have developed a wide variety of ways in which they help their communities and the nation, and this publication examines many. This diversity provides much of the richness of the field. Thus, this publication serves to share ideas among those companies that already have giving programs, as well as those that are considering establishing such a program.

The report opens with major policy analysis papers by chief executive officers and other leading analysts in the field. These authors present a broad cross-section of views on the subject of corporate philanthropy. An analysis of these papers, written by Nick Kotz, identifies the major themes in the papers and provides a good starting point for most readers.

Four major sections follow. Section II covers the organization of corporate giving programs. Many of the issues discussed in this section were identified by people in the field who attended a series of workshops held nationwide to prepare for this publication. Section III discusses current issues and trends. The rapid changes occurring in these times often significantly affect corporate philanthropy and must be considered in that context.

James P. Shannon is vice president and executive director of the General Mills Foundation. A former executive director of the Minneapolis Foundation, Shannon is on the executive committee of the board of the Council on Foundations, and served as chairman of the advisory committee, Corporate Philanthropy Project.

Section IV looks at, and to, the future. Authors ask practitioners and observers to make suggestions for a better future. This section includes the major study done for this publication by Yankelovich, Skelly and White Inc.; the survey queried 219 chief executive officers to determine their perceptions about factors that influence giving programs in their companies.

The final section provides resources for the reader. It has historical and other background materials that should be especially useful for persons not familiar with the field. It also includes a glossary and a list of many organizations that provide resources for developing and refining corporate philanthropy programs.

Conclusion

American business continues to be concerned about how its resources of money, people, and technology can be used most effectively to meet the urgent public needs of today. Support for nonprofit agencies must come from government, individual donors, and business. This publication should help business leaders and the public understand the role of corporations in the philanthropic field. It should become a standard text in the national debate on the responsibilities of government, business, the nonprofit sector, and individuals, a debate that is only now beginning.

Philosophy

Corporate Philanthropy: The Issues Today
The Corporation as Good Citizen
A Different Perspective on Corporate Philanthropy
Corporate Conduct in the Changing World
Guidelines for Giving
Corporate Philanthropy vs. Corporate Purpose
Thoughts on Corporate Philanthropy
Business Considerations in Corporate Philanthropy
The Role of Business in Community Affairs

Major Policy Considerations In Corporate Philanthropy

Corporate Philanthropy: The Issues Today

By Nick Kotz

Kotz provides an overview of the issues explored by eight experts in the field of corporate philanthropy, including five corporate executives and three professors representing the areas of law, economics, and business.

"A well-managed program of corporate philanthropy requires goals and objectives," states Clifton C. Garvin Jr., chairman of Exxon Corporation. "It requires guidelines for determining how much money will be allocated to the program, criteria for making grants and evaluating their use, and either in-house professional staff or access to competent consultants."

Garvin, one of five chief executive officers and three professors who here consider the basis and aims of corporate philanthropy in the United States, voices a common concern in calling for reform and professionalism. Despite many disagreements in philosophy and approach, the authors all see a need for corporations to address philanthropy more deliberately, with the same serious attention applied to the basic entrepreneurial functions of capital formation, profits, sales, production, and marketing.

These thoughtful articles bring to focus the debate that is being waged in corporate board rooms, councils of government, and the nonprofit world of philanthropies that depend on government grants and charitable contributions. The proper philanthropic role for U.S. corporations—a subject that bears directly on today's difficult economic times—is in question. Not only are corporations facing mounting pressure to excel in the heated competition of a world economy; they are also hearing demands—from the President as well as local leaders and citizens—that they help solve a multitude of national problems.

The issues raised go to the heart of the role of the private sector in facing those problems. Should corporations make philanthropic contributions at all? (Seventy-five percent do not.) What is the rationale for giving away the stockholders' money? How does one separate what should be private responsibilities from what should be public? What are the real needs of society, and who should determine them? How are those needs commensurate with the capacities of corporations? How does a corporation determine which causes to support? How much should corporations contribute to philanthropy? Who should determine goals for corporate giving, or should there be goals at all? How can a corporation measure the effectiveness of its

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Nick Kotz is a Washington-based writer and a winner of the Pulitzer Prize for national reporting.

philanthropy? Should corporations be more publicly accountable for their giving?

The eight authors have wrestled with these provocative and difficult questions. After they had exchanged their articles, I spoke individually with them, seeking to explore their ideas further and to encourage an eight-way dialogue. It shortly became evident that how one views corporate philanthropy depends, first of all, on how one defines the role of the corporation in American society today.

The most restricted view of corporate philanthropic responsibility emerges from the view of the corporation itself as a narrow, autonomous, purely economic entity, devoted solely to earning profits for its stockholders. According to this view, the corporation is held back from broad philanthropic activities by both legal and economic constraints. Paul W. MacAvoy, professor of economics at Yale University, emphasizes that "a business corporation is organized and carried on primarily for the profit of the stockholder," and any philanthropic activity must further that interest. In MacAvoy's view, the corporation has no social responsibilities; it is structured only to produce goods and services in an efficient fashion and to maximize return on investment.

What is the rationale for giving away the stockholders' money? How does one separate what should be private responsibilities from what should be public? What are the real needs of society, and who should determine them?

Taking a similarly restrictive view of corporate purpose, economist Milton Friedman has elsewhere declared: "Corporations have no money to give to anyone. It belongs to their workers, their employees or their shareholders." Under Friedman's rationale, the only permissible philanthropy (which he calls "business expense") is that which lessens taxes or provides marginal returns (in community goodwill, for example) greater than the marginal costs.

Not surprisingly, the broadest interpretation of corporate philanthropic responsibility generally is voiced by those who believe that the corporation itself has duties and social responsibilities similar to those of the private citizen and of other institutions—and that the fate and fortunes of all these institutions are inextricably intertwined.

When H. Brewster Atwater Jr., chairman and chief executive officer of General Mills Inc., defines corporations as citizens "enjoying both the privileges and duties of other citizens," it becomes a natural next step for this company to pledge, as its central mission, service to "four major constituencies: consumers, employees, shareholders, and society." A similar view of corporate citizenship leads James F. Beré, chairman and chief executive officer of Borg-Warner Corporation, to conclude unequivocally that corporations "feel an absolute obligation both to help the economically underprivileged and to aid a wide variety of activities that, we hope, will advance society."

Whatever their disagreements about ideal definitions of corporate purpose, the eight authors agree that corporations today face both long-term historic imperatives and contemporary political pressure to redefine their roles in ways that would justify assumption of far greater social responsibility, including increased philanthropy.

A major historical shift of social values has placed new demands on corporations to meet needs of "the whole man," rather than just those of "economic man," says professor emeritus Courtney C. Brown. A former dean of the Columbia University Graduate School of Business, Brown describes an evolving perspective in which society now expects corporations to fulfill humanistic and social concerns, not just meet materialistic and economic needs.

The new short-term political demands on business are more obvious. As part of his package of tax cuts, reductions in federal social spending, and lessened government regulation of business, President Reagan called on the private sector—and specifically corporate America—to assume greater social responsibility. Some responsibilities previously borne by the federal government more properly reside with local communities and the private sector, the President stressed.

Should corporations resist or accommodate these new demands for a greater philanthropic role? In a minority view among the eight authors, MacAvoy urges stiff resistance to any restructuring of corporate purpose. In his opinion, corporate executives who follow a "roll with the tide and let us decide" philosophy naively assume that they can take on social and philanthropic responsibilities while maintaining full control of their firms. Instead, he predicts that noncorporate interest groups, with their own political and philanthropic agendas, will soon succeed in "democratizing" corporate governance, "fundamentally undermining its pursuit of economic objectives and leaving corporate boards with the political task of choosing between conflicting constituency demands." Corporations should stick to business, he says, and leave to government the task of setting social policy objectives and resolving the demands of competing constituencies.

Although he shares MacAvoy's admiration for the pure economic model of the business corporation, Brown sees accommodation as essential. "Adaptation to a changing environment is an elementary principle of survival," says Brown. "The governance of corporations must be adapted to respond to changing public expectations and to probable future circumstances."

In a less philosophical vein, most of the corporate executives agree that today's political realities dictate increased corporate philanthropic activity. In particular, the 1981 tax cuts and other advantages granted to business helped arouse a public expectation that corporations should help fill the gaps caused by federal spending cuts in social programs. "If we refuse to help with these changes in a responsible and creative manner," says William D. Ruckelshaus, senior vice president of the Weyerhaeuser Company, "we may not only lose the new-found tax and regulatory incentives needed for prosperity, but also face a national environment far more hostile to the success of free enterprise."

The greater demands placed on corporate philanthropy—and the fact that needs far outstrip available funds—are making corporate executives recognize that they must define their rationales for giving more clearly. These rationales range from Milton Friedman's narrowest definition of fiscal self-interest to altruistic generalizations about serving society. One element common to many explanations is a growing sense of the interdependence among different components of American society.

Executives and professors both stressed the necessity for increased cooperation between American institutions and American citizens. "The cost of the traditional adversarial relationship between Americans and American business has become higher than we can afford, given large changes in world economic conditions," says Eleanor Holmes Norton, professor of law at the Georgetown University Law Center. Adds Ruckelshaus: "If we are to succeed in the new competition with Germany and Japan we need a far greater degree of cooperation among citizens and between the public and private sectors. Without that cooperation, I don't think we are going to make it." Implicit in these calls for cooperation is the recognition that business itself must lend its talents and money to tackling social problems if it expects public cooperation in meeting its own particular needs.

The most common rationale for corporate philanthropy remains enlightened self-interest. As stated by Exxon's Garvin, "Successful business does best in communities that are alive, healthy and secure. And that means that business has to look beyond its basic economic function. To stay in business we have to make a profit. To succeed in business, we have to share some of that profit, beyond the dividends and taxes we pay, for the public good."

Garvin and the other executives also agree that community involvement supplies corporations with vital business intelligence. "The world changes very rapidly," explains Atwater of General Mills, "and unless your managers are involved in all aspects of that world, you are going to get out of touch."

Even the conservative views of economists MacAvoy and Friedman offer a substantial rationale for some corporate support of certain community needs: without adequate schools, recreational activities, hospitals, and so on, it can be maintained, a corporation would be unable to attract and retain qualified employees.

Beyond broad rationales, however, the questions become more difficult, as corporations decide which causes to support and how those decisions on corporate giving should be made. Judging from the comments and revelations of the five corporate executives, too much corporate philanthropy today is conducted haphazardly, casually, reactively, and indiscriminately, sometimes through an old-boy network. In the view of these executives, corporate philanthropy today seldom achieves Aristotle's ideal of excellence in giving; instead, decisions on giving are too often made by a few top executives, acting on inadequate information or personal whim. Corporations seldom attempt to measure the results or effectiveness of their gifts. In short, many corporate executives administer philanthropy in a manner they would deem thoroughly unprofessional if it were applied to any other corporate function.

Describing how philanthropy was once handled at Armco Inc., board chairman C. William Verity Jr. notes: "David Rockefeller, on whose board I serve, would ask me for $10,000 for something. I would pencil a note for someone to send him a check. The whole thing was completely reactive. . . . Many companies continue to support traditional or favored programs year after year with little knowledge of true community needs."

The greater demands placed on corporate philanthropy—and the fact that needs far outstrip available funds—are making corporate executives recognize that they must define their rationales for giving more clearly.

Verity, chairman of the President's Task Force on Private Sector Initiatives, and the other executives all called for the reform and professionalization of corporate philanthropy. They urged programs that include goals and objectives, criteria for making grants and measuring results, broad participation in decisionmaking by executives and corporate boards, and use of professional staff.

But professionalism still provides only an improved process for making difficult policy decisions—which projects to support and how closely they must serve corporate self-interest, how much risk should be taken, whether to subordinate corporate prerogatives to cooperative philanthropic efforts. Many corporate executives maintain that gifts should be made only in communities in which their companies have plants, and in ways that clearly serve corporate self-interest.

A step beyond self-interest is Ruckelshaus's concept of a corporate focus on programs at "the intersection of enlightened self-interest and the needs of society." Exxon's Garvin argues for still another step; although philanthropy begins at home, he calls for a new definition of "community" to help meet other important needs in a mobile, interdependent society.

Another issue is whether a corporation will give only to safe causes (the United Way, local colleges) or also to philanthropies that involve the risk of controversy or failure. "Some risk is necessary in philanthropy as well as business," contends Borg-Warner's Beré. "Some people don't want to offend anyone or take any criticism. But risk provides room for change and innovation —keys not only to successful business, but successful philanthropy . . . ." Beré and others cite exclusive reliance on the United Way as a prime example of safe philanthropy. They note that many United Ways seldom take in new organizations, and too often focus only on providing social services, rather than on innovative solutions to social problems.

The corporate authors also advocated corporate contribution goals, to be set either by corporations for themselves or by their corporate peers. Proponents argue that corporations set goals for every other aspect of their business endeavors, and a serious approach to philanthropy requires similar goal setting. Yet many corporate executives resist goals as infringing on their autonomy.

Most of the executives also urged corporations to contribute volunteers and services, and to seek solutions to social problems within the course of their profitmaking activities.

A related issue concerns the degree of openness with which corporations greet public inquiries about their philanthropic programs. Nonprofit groups often complain that corporations turn down their requests for assistance as unsuited to the company's giving program (or without any explanation), but do not provide information regarding the company's philanthropic priorities and interests.

Such information may not be forthcoming, the authors suggest, either because corporations lack a clear rationale for giving, or because they wish to avoid public scrutiny and additional pressure. Publicly sharing information about corporate giving, says Norton, will "stimulate ideas, sow seeds, set the new standards for corporate giving that these times demand"—and increase public trust of corporations.

Still another issue is whether to support cooperative partnerships in which corporations, nonprofit groups, and local government together seek solutions to community problems, particularly those caused by federal spending cutbacks. Proponents of partnerships urge that corporations subordinate part of their philanthropic self-interest and power to cooperative approaches. Others are wary. Atwater, for example, urges diversity and warns that too much cooperative decisionmaking could result "in simply substituting another bureaucratic group for Washington."

Beyond all other issues and any disagreements over approaches, the authors urged corporations to involve themselves more deeply in philanthropy. The degree of sophistication and pioneering in corporate giving will depend on what point a corporation has reached "in its philanthropic journey," said Bere. "The most important point is to start the trip."

The Corporation As Good Citizen

By H. Brewster Atwater Jr.

The question facing corporations in the difficult decade of the 1980s, says Atwater, is how to give for the benefit of both society and the company. He calls for the setting of clear guidelines, the increased use of evaluation as a tool, a deepening of professional commitment, and a willingness to change.

My observations on corporate philanthropy and its rationale are influenced by my experience at General Mills Inc. over the past 24 years, and by General Mills' participation in vital community activities, particularly in its headquarters location of Minneapolis-St. Paul. I believe it is important to discuss corporate philanthropy as part of overall corporate citizenship.

Early in the history of corporate law, it was held that corporate officers lacked the authority to give away any corporate profits; it was argued that the profits belonged to the shareholders. This view has long since been replaced by a widespread acceptance of the right of corporations to donate to worthy public causes a reasonable portion of their earnings.

Corporations are classed as citizens under U.S. law, and they enjoy both the privileges and duties of citizenship. This broad concept of corporate citizenship may stem from the view that no citizen can prosper in an unhealthy society. And one of the important duties of each citizen, whether a corporation or an individual, is to work in a multitude of ways for the betterment of society. In the long run this is a self-interested proposition, in no way inconsistent with a corporation's duties to its shareholders.

The question for modern corporate managers of publicly held companies is not whether they can give away corporate profits but rather how prudently and effectively they exercise this power, to the benefit of both society and the company.

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I have long believed that the average U.S. corporation does a much better job of running its business than it does of planning or executing its actions as a corporate citizen. It is not hard to see why this is so. Before a business can turn much attention to its duties as a citizen it must earn a reasonable return on its invested capital. Because of the complexities of business today, many managers are unable to devote the same quality of attention to corporate citizenship that they give to business operations. Although companies may be meticulous about placing highly qualified staff in charge of the business elements of the corporation, often they will not seek that same degree of professionalism to guide their philanthropic activities.

Furthermore, because of the number and seemingly random nature of the requests for donations that many corporations receive, it is often a corporate officer's relationships with other community leaders that determine philanthropic direction. An additional reason for poor planning in corporate philanthropy is that many programs that started modestly have been permitted to grow without periodic evaluation and without recognition of the new and different needs that come with changing times.

Current circumstances are putting much pressure on corporations to do a substantially improved job of philanthropic planning and management. The pressures of inflation, a depressed economy, and a reduced federal budget are causing a great increase in the number of requests for corporate support. Managers of most companies are being forced to reexamine the reasons that underlie their giving programs. If they cannot respond favorably to all who ask for help, they must have some rationale for explaining why they support some projects and reject others.

Clear guidelines for corporate philanthropy will be increasingly important to donors and recipients alike as we move further into the difficult decade of the 1980s. More attention to post-grant evaluation will also help companies refine and sharpen the focus of their grantmaking programs. These evaluations can draw on informally shared information from other grantmakers or be more formal, third-party reports.

The question for modern corporate managers of publicly held companies is not whether they can give away corporate profits but rather how prudently and effectively they exercise this power, to the benefit of both society and the company.

Even the largest corporations cannot address all the unmet needs of society. Responsible management of corporate resources requires corporations to plan their philanthropic and public interest programs selectively. The same kind of long-range planning that is characteristic of well-managed companies should also be used in setting the goals and planning the strategies of corporate citizenship activities.

At General Mills, corporate goals and strategies flow from a corporate statement of purpose. The first paragraph of the company's current long-range plan states: "Our mission is to be a leader among corporations. We will achieve excellence in any endeavor we undertake. To fulfill this mission, we must be both responsible and anticipatory as we serve our four major constituencies: consumers, employees, shareholders, and society."

This statement clearly defines corporate responsibility in broader terms than philanthropy or the mere writing of checks. Our activities range beyond philanthropy to the direct involvement of corporate resources and managers in community activities and the active encouragement of employee involvement. Two examples may be illustrative of these efforts.

In 1972, General Mills embarked on a program to rehabilitate the Stevens Court inner-city neighborhood in Minneapolis. Some $8 million of corporate assets were invested in purchasing and renovating 714 residential units in 26 buildings on the south side of the city. Our goal was to arrest the economic and social decay of a once fine neighborhood, and we saw no way to meet this pressing need through conventional check-writing philanthropy.

General Mills combined its financial investment with strong managerial supervision, involving executives from its real estate, finance, control, and personnel departments. The idea was not to make money for General Mills, but rather to stabilize and improve the neighborhood while preserving the value of the invested capital. The forgone interest on the company's investment was viewed as a charitable contribution.

Today the Stevens Court neighborhood has a broad and stable tax base, a community newspaper, a lowered crime rate, and a vigorous neighborhood association. It is an attractive and popular residential area. With our mission accomplished, General Mills has sold its interest in Stevens Court. We did essentially break even, and we consider the program highly successful. Today we are seeking a similar opportunity to bring corporate managerial expertise to bear on a significant social problem, to offer a solution commensurate with our resources.

A second example of broader corporate citizenship activity is the encouragement given managers to become active in community programs of their choice. Our annual executive incentive plan calls for objectives in four areas: current financial performance, long-range strategy, personnel development, and external involvement. Each officer sets forth annual objectives for community involvement and other outside activities. How well he or she has done in these objectives will influence annual incentive pay.

In these difficult times, there is not necessarily one answer for every problem in every corporation. What is required is professional commitment, sound strategic planning, and an ability and willingness to innovate and change as required by our fluid society.

A Different Perspective on Corporate Philanthropy

By James F. Beré

Excellence in giving can be achieved not by giving more, but by giving more effectively. Beré urges business and nonprofit organizations to pool their talents, increase their productivity, and be willing to take risks in order to respond creatively to the changing needs of society.

Today, the subject of corporate philanthropy evokes varied, often emotional responses. The government sector is urging corporations to increase donations and fill the gap created by budget cuts. Nonprofit organizations are pleading for the survival of their programs. Corporations are trying to explain their willingness to help and their inability to keep pace both with federal budget cuts and the massive influx of funding requests.

Let's put these issues in perspective.

Reports indicate that federal budget cuts from social programs will total $131 billion over the next three years. Business cannot replace even a tiny fraction of that amount. Some estimates indicate that a 50-fold increase in corporate donations would be needed to fill the gap, and that's just not possible.

The solution, it would seem, is not to give more, but to give more effectively.

Corporations today feel an absolute obligation to help the economically underprivileged, and also to aid a wide range of activities that, we hope, will advance society. Corporate philanthropy is one way to address these social responsibilities. The amounts of money and time contributed by business in the past decade have risen sharply; in 1980, corporate giving was estimated at $2.7 billion, surpassing donations from private foundations.

The true imbalances of opportunity have not nearly been redressed. The gap between rich and poor is still very wide. Realistically, that will not disappear quickly.

As businessmen, we understand that corporations and society are tightly interwoven. Unless we intensify our long-term social efforts, our own viability may be threatened. As we increase business support, however, we face serious questions. We cannot simply pour money blindly into more outstretched hands. We must know more about what is happening to it.

Aristotle aptly described the difficulty, saying, "To give away money . . . is an easy matter and in any man's power, but to decide to whom to give it and how much and when, and for what purpose and how, is neither in every man's power nor an easy matter. Hence, it is that such excellence is rare, praiseworthy, and noble."

Our goal, clearly, is to achieve that excellence in giving.

Some effort has been made to improve the philanthropic system. As media coverage created a growing awareness of the needs of society, philanthropic organizations tried to fill those needs. Business and government also increased social support, and established some requirements for the use of philanthropic funds.

As businessmen, we understand that corporations and society are tightly interwoven. Unless we intensify our long-term social efforts, our own viability may be threatened.

Now, following government funding cuts, business is attempting to save the best elements of the social service system, and because of this is asking more questions of grantseekers.

The most insensitive businessman understands that philanthropy is not expected to show a profit. However, even philanthropy is supposed to show results. We know that inefficiency and unclear purpose can develop in both profit and nonprofit sectors. We know that within a business context we are always held to account; if less money is available, we must try to cut costs and to do

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James F. Beré, chairman and chief executive officer of Borg-Warner Corporation, serves as chairman and director of the Rehabilitation Institute of Chicago and as trustee of the University of Chicago.

things differently and better, recognizing that we cannot do all things with limited assets. In the future, business will require similar accountability of philanthropy, with both groups working to develop priorities.

There is some feeling that public criticism of ever-increasing and ineffective programs forced government to reduce its social support efforts. As business contributions assume greater importance, they too will be subject to close scrutiny. If the public perceives that business is doing an inefficient job, business contributions will become the next target of criticism.

Business and nonprofit organizations have a real interest in working together. Such involvement should go deeper than monetary grants. Business should offer corporate time and talent in areas of managerial expertise. Most service groups show considerable skill in professional services, but few have administrative know-how. Companies can offer advice and training on getting the job done and the organization moving toward practical solutions to its problems.

Both sides should explore new ways to achieve greater benefits at lower costs. Consider the possibility of a central computer system, with access codes for privacy, that would handle accounting and bookkeeping operations for all nonprofit organizations in Chicago. Is that feasible? Would it save money? I don't know—but we should find out.

Business also has room for enormous diversity in giving. There are no absolute virtues to one cause over another, and heaven knows there are enough causes to go around—and around and around.

Business used to concentrate its giving within the old-boy network. Most earlier gifts went to a relatively few outlets—schools, museums, symphonies, hospitals. Today, not counting contributions made through the United Way, many efforts are being funded by Chicago businesses; these include specific disease research, day-care centers, and experimental dance groups.

There is some risk in that distribution. Most business executives understand intelligent risk-taking and use it daily in research, marketing, and production activities. But often these same executives are uncomfortable with social service risk-taking; they avoid innovative or dramatic approaches, choosing instead to contribute to established causes.

That's a mistake.

Some risk is necessary in philanthropy as well as business. A new approach to a special need may be far better than the established one. Some mistakes will be made, some funds wasted. But preserving some risk leaves room for change and innovation.

Change and innovation are the keys not only of successful business, but also of successful philanthropy. If business must do some philanthropic soul-searching, it's clear that nonprofit groups must do the same.

A great deal is being said about how cutbacks in federal funds will hurt nonprofit organizations. The cutbacks might also strengthen the entire philanthropic network by eliminating ineffective programs and by forcing viable groups to establish priorities and to devise new ways of helping society to help itself.

Although they recognize the importance of maintaining a functional organizational network, businessmen usually donate on the assumption that their gifts will be used for direct assistance, not devoted solely to the preservation of the agency. More and more of us feel that if our donations are to mean anything, the recipients must be subject to tests of efficiency similar to those we demand of our own operations.

Change and innovation are the keys not only of successful business, but also of successful philanthropy. If business must do some philanthropic soul-searching, it's clear that nonprofit groups must do the same.

Most grant-seeking organizations can offer audited statements; however, an audit simply certifies that money was spent the way somebody said it was spent. It does not, and cannot, certify that the way it was spent did any good.

Over the past three or four years, there has been considerable improvement in reporting results by grantees. There remains a very long way to go.

If organized philanthropy does not indicate a willingness to achieve results even with reduced funds, if it cannot assure business of greater concern for the client than for the organization, then business itself will become far more selective in its giving.

Business may not seek that position, but it cannot shrink from it. Although many companies are beginning to add professional philanthropic experts to in-house staffs, decisions as to how, or even whether, to concentrate resources are still difficult. But frankly, the more requests business receives, the more it must define its role, and judge the effectiveness of its support.

We all face a changing world. Every company in this country knows that, given the intense new worldwide competition, it must become more productive or lose out. Competition will also become more intense in the philanthropic arena. Business and philanthropic organizations face the same rule: become individually more productive or be prepared to fade away.

There's yet another group whose support is crucial to the long-term success of social programs. It's the "you and I" group—individual donors, who contributed an estimated $39.9 billion in 1980.

Individuals have a vast range of talents to offer the philanthropic network. Such contributions should be encouraged and applauded.

Together, we *can* make a difference.

We all need what only private philanthropy can offer. We need its compassion. We need its understanding of human frailty. We need its availability in times of stress, and of danger, and of deprivation. We need its concern for the poor, the weak, the uncertain, the frightened.

But above all, we need it to be useful, not simply to be there.

Corporate Conduct In the Changing World

By Courtney C. Brown

To find a workable reconciliation between humanism and materialism, between "the whole man and economic man," is the central issue for business today, Brown argues. Adaptation to a changing environment is an elementary principle of survival, and carefully administered corporate philanthropy may, in the long run, be essential to the well-being of corporations.

In whose best interest, indeed, is corporate philanthropy? Did not the stockholders let the management have use of their money to earn more money—not to give it away? The purpose of the business corporation, it is held, is simply to maximize profits. By making more money, the corporation is said to perform the full range of its social obligations. If markets are effectively competitive, the corporation will provide the goods and services wanted by the public, ensure the efficient allocation of national resources, and create growing employment opportunities. Charity, as a British court once said, has no seat at the board table.

The corporation is held to be ill-suited to the broad acceptance of social responsibilities, including philanthropy. Philanthropy costs money—money that is not available when competition limits profits to the cost of obtaining capital from investors. Each factor of production—capital, labor, materials, and technology—earns only its own competitive reward. There is no surplus for good deeds. Acceptance of the costs of unrelated social action is, in this view, equivalent to a confession of guilt under the antitrust laws; in perfectly competitive circumstances, there would be no surplus. Moreover, corporate managers are believed to be singularly unperceptive of the nonmarketable needs of society. Why should the alleviation of those needs be turned over to people who are held to be, in essence, self-selected oligarchs?

The disciplined and aggressive executive committed to continuous improvement in efficiency and growth is a resource of real value to the nation, but he or she is unlikely to be comfortable with the specifications of those who seek to ameliorate the tensions of society. In fact, just the reverse is more likely. Compassion may, and does, play a part in the personal lives of business managers, but in their business affairs it enters only intermittently or when mutual benefits result. The effort to minimize costs and maximize returns is unrelenting. That is the source of the corporation's success, of its ability to achieve the tasks to which it has been committed. But a career built on continuous efforts to maximize profits in short periods of time is hardly proper training for the sensitive perception of civic needs.

In light of the traditional role of the corporation, of the primacy of stockholders in corporate law, and of the dubious career preparation of corporation executives for public affairs, it is entirely appropriate to ask the question: Corporate philanthropy: whose best interest? Surely not the stockholders', perhaps not even the public's. A close look below the surface of contemporary attitudes and expectations, however, suggests that carefully administered corporate philanthropy and community programs may be definitely in the owners' best interest; indeed, in the long run, essential to their continued well-being. And the current disenchantment with government's clumsy and expensive attempts to alleviate social tensions and to support cultural development has left the question, who is to do what?

Since the 1960s the involvement of the federal government in social matters has been explosive. The budgets of new regulatory agencies, such as the Occupational Safety and Health Administration and the Equal Employment Opportunity Commission, and of the expanded older agencies such as the Federal Trade Commission, the Federal Communications Commission, the Food and Drug Administration, and the Securities and Exchange Commission, soared from an aggregate of $1.6 billion in fiscal 1970 to $7.0 billion in fiscal 1977. Estimates of the costs for compliance are astronomical. The

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Commission on Federal Paperwork has estimated an annual cost of $93 billion for filling out federal forms of all descriptions, or about $450 per capita. In a quarter century, a newly organized (and now reorganized) Department of Health, Education, and Welfare developed some 400 programs to alleviate social ills, built a staff of 1,125,000 functionaries, and acquired a budget of $182 billion. Before it was reorganized, waste, fraud, and mismanagement in the department were estimated by its own inspector general at some $7 billion.

The activities represented by these figures are in part unrelated to business matters; where they are related, they cut across industry lines. But the costs to business of these activities in diverted time, in personnel inefficiency, and in enlarged tax burdens are enormous. The *Code of Federal Regulation* has expanded to more than 70,000 pages. No one knows how much these regulatory requirements may have added to unit costs of production, to inflation, and to the nation's competitive disadvantage in world trade. Many feel that productivity has been seriously impaired. The degree of success of this regulatory edifice varies, but dissatisfaction with it is increasing rapidly, and has already been expressed at the polls. This protest against high taxation and rigidly administered controls appears likely to grow.

The New Pace of Change

In our speeded-up world, the old is barely interred before the new is fully upon us. In dozens of human concerns, new values strange to the modern mind are finding new adherents. Such a shift of values is, of course, not without precedent, even if the rapidity of the change is new. When changes took place in centuries past, they had enormous, if slower, impact. One such change was the emergence several centuries ago of secular, man-centered values, which came to prevail over religious, God-centered values. That change extended over the 16th, 17th, and 18th centuries, and became triumphant in the 19th and early 20th centuries.

All sectors of society were compelled to adapt to this shift, with the sacrifice of many established ways of life. Centers of power changed. The princes of the church gave way to princes of the land, who in turn gave way to princes of industrial, commercial, and financial wealth. Even the most firmly established social institutions either conformed or disappeared with the passage of time. The church lost its role as the central interest of daily life, small principalities disappeared as political units, and scholastic and a priori thinking was replaced with skeptical and empirical modes of thought.

Many people sense a new shifting of values in the United States, and, indeed, throughout the industrialized world. The values inherited from the age of science and reason, such as efficiency and maximum growth, are no longer accepted without reservation. They are now deemed to be too lacking in solicitude for the public welfare, wanting in compassion for the disadvantaged, and deficient in protection for those exposed to exploitation.

The business corporation became, in the late 19th and early 20th centuries, an organizational form expressing the high value that society had then come to place on rationality, efficiency, competition, and growth. The once unqualified acceptance of the values of the industrial revolution is now challenged by a reaffirmation of the contrasting values of an earlier humanism. In view of these changes, the business community would do well to consider modifying and enlarging its traditional and accepted purposes to include greater philanthropy.

Adaptation to a changing environment is an elementary principle of survival. The governance of corporations must be adapted to respond to changing public expectations and to probable future circumstances. This will require perceptive identification of the influences now molding public attitudes. It will involve structural change within the corporation as well as attitudinal change.

To put the matter succinctly, those active in business must learn to think about, talk about, and operate on a broader platform than is provided by purely economic considerations. There are admitted dangers in doing so. A typical business career offers only limited opportunity to develop a perceptive understanding of nonbusiness considerations. Moreover, there is a threat to efficiency and profitability when decisions go, in part, beyond economic matters. But there may be no alternative if the conduct of business is to be preserved without further limitation by external restraints.

New Values, New Thought

When Leonardo da Vinci, an early scientist as well as a great artist, observed that "Whoever appeals to authority applies not his intellect but his memory," he disdained the authority of the church and the ancient moral philosophers. He was sponsoring the laws of natural science, the discovery of which was even then challenging the best minds of the day. Objective inquiry and rigorous analytical procedures became the rational means of seeking truth. Successive discoveries required the flexible adjustment of thought to new facts and circumstances, especially in the field of technology.

Now the humane and social tasks that the public expects of business corporations generally make a poor fit with the traditional activities and purposes at which corporations have so spectacularly succeeded. Yet despite, or perhaps because of, 200 years of enormous material success, there is now insistent questioning whether an economic system should be judged only by the abundance it creates. There is interest in how that system exerts its influence, for better or worse, on the human personality. The institutions rooted in the attitudes and methods of natural science are once again confronted by those whose primary commitment is to the universal concern for the whole man, not simply economic man. The business corporation is one of the principal organizations so confronted. And that, in essence, is the source of a corporate dilemma.

The adjustment of business thinking to deal with these now recognized social responsibilities, including philanthropy, has not been comfortable. The introduction of social performance into business organizations is a genuine innovation. Part of management's difficulty in responding is that there is no organized market to register public desires and needs; emerging social demands are expressed through the political processes of the nation rather than through the movement of relative prices. Changing social and political influences are unlikely to be sensitively perceived by the business executive in sufficient time to avoid public condemnation.

The central issue is the urgent need to find, within the purposes, administrative structures, and functioning of the corporation, a workable reconciliation between two powerful and contradictory sets of social values: humanism and materialism, the whole man and economic man. The social values of compassion, collective action, collaboration, consensus, and conservation are now challenging the antithetical values on which the corporation has for two or more centuries built its great strength: the natural laws of science, individualism and self-reliance, the rewards and penalties of competition, hierarchical authority, and the aggressive exploitation of nature. Such a reconciliation is no easy task for business managers, trained as they are in pursuing a single purpose, the efficiency that ensures a maximum return on stockholders' investment.

The central issue is the urgent need to find, within the purposes, administrative structures, and functioning of the corporation, a workable reconciliation between two powerful and contradictory sets of social values: humanism and materialism, the whole man and economic man.

Acceptance of a multiplicity of corporate purposes carries with it numerous consequences, some of which are little understood and less tested. The traditional power structure of the corporation is designed to achieve only a maximum return on investment through greater efficiency and growth. But now the assignments and functions of executive managers and directors are beginning to reflect the new demands on the corporation. New administrative structures have been designed to supplement the traditional line-and-staff pyramids that have been so effective in the singular pursuit of the bottom line. The business corporation is a truly remarkable social invention whose accomplishments in the past have been impressive, and whose opportunities for constructive good have only begun to be realized. And they include intelligently and objectively administered philanthropy.

The corporation's past contributions to material abundance have been notable. It now has the great challenge of a complementary and equally auspicious career to enhance its service to the welfare of humanity. The fact of the matter is that the focus of corporate purpose has necessarily come to rest on the balanced development and longevity of the corporation per se, and not on any one constituency—not even stockholders, although stockholders should in the long run benefit when this is more widely recognized. This is a profoundly important, not fully apprehended shift of purpose. When fully perceived inside and outside the business community, it should clarify many ambiguities associated with public attitudes toward corporations and the conceptions of business leaders about themselves.

Guidelines for Giving

By Clifton C. Garvin Jr.

Calling for a concerted effort to put philanthropy on the permanent business agenda, Garvin urges the use of either a professional contributions staff or qualified consultants, the donation of time as well as money, and an expanded definition of community as guides for enlightened corporate citizens.

The trend toward relying more on the private sector and less on government to set course and speed for the U.S. economy has a parallel in the field of social services. It has tended to focus interest on private giving, which in 1980 provided some $26 billion to support educational, health, welfare, and cultural activities in the United States. Although living individuals contribute about 80 percent of this sum, contributions by U.S. busi-

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nesses and corporations are the fastest-growing segment of private philanthropy. Since 1970, annual giving by U.S. corporations has increased 220 percent, to a total of $2.7 billion in 1980. Indeed, since 1979 corporate contributions have exceeded those of foundations for the first time since the 1950s.

Groups such as the Business Roundtable, the National Association of Manufacturers, and the U.S. Chamber of Commerce are working to improve this record. They are trying to broaden the base of corporate philanthropy by getting more companies to contribute; many of the nation's 2 million corporations now report nothing in this area. And they are urging companies that do contribute to increase the size of their gifts. As chairman of the Roundtable, I said in 1981: "It is in everyone's self-interest to support society through private social investments rather than through the complex and costly redistribution of tax dollars by the government."

I don't suggest that private philanthropy should attempt to assume the government's role, or even that it could. Government will always have an indispensable role in this field. Moreover, the gifts of private persons will remain dominant. But there are strong and persuasive pressures for business and corporations to do more.

Although the increase in corporate contributions over the past decade has more than kept pace with inflation, it has remained just about the same as a percentage of pretax income. In the meantime, society's need for these contributions has grown considerably. There have been significant reductions in government funding even as inflation continues to undermine the budgets of colleges, hospitals, museums, and other institutions. Population growth and (currently) high unemployment have aggravated social problems. Profound changes are taking place in college enrollments, health practices, social services, and the arts, and many of these changes increase the need for outside funding.

What is the proper role of business in philanthropy, and how should it be managed?

Much of our corporate giving has been based on enlightened self-interest. This means that successful business does best in communities that are alive, healthy, and secure. And that means that business has to look beyond its basic economic function. To stay in business, we have to make a profit. To succeed in business, we have to share some of that profit, beyond the dividends and taxes we pay, for the public good.

For many corporations, philanthropy begins at home— in the company's headquarters city or in the cities where its plants are located. The company's programs reflect the needs of the communities in which it does business, as well as the needs and concerns of its employees and their families. These are the communities the company knows best, the places where it is best qualified to set priorities and goals in its contributions effort.

As a company's contributions program matures, however, management may take a broader view. The national and international dimensions of philanthropy have become increasingly important for many companies. We are, after all, a mobile, interdependent society. Employees may be drawn from a wide variety of locales and our business may embrace many lands other than our own. Our definition of "community" must therefore be expanded considerably.

Business people involved in corporate philanthropy become more aware of the needs of the organizations they support, and more conscious of the complexity of the nonprofit sector. Those who contribute to symphony performances, for example, recognize that young artists need help to study and perform if they are to win places in orchestras one day. Those who support education realize that colleges have to prepare some of their best students to become teachers if the flow of well-trained graduates is to be maintained.

The underlying philosophy of corporate philanthropy is that it is good business to be an enlightened corporate citizen. It doesn't make sense to talk about successful corporations in a society whose schools, hospitals, churches, symphonies, or libraries are deteriorating or closing.

For example, business has recognized that its need for engineers has been attracting almost all new graduates and some faculty members into industry. As an editorial in *Science* magazine put it, this is a classic case of eating one's seed corn. Some students have to become teachers if education is to continue.

If circumstances make a teaching career less attractive financially, steps must be taken to reduce the economic differences between academic and industrial employment. The Exxon Corporation responded directly to this need by making an additional $15 million available to the Exxon Education Foundation for an engineering education program in commemoration of the 100th anniversary of Exxon's founding. The money will make possible 100 teaching fellowships worth about $50,000 each, and 100 grants of $100,000 each to support junior faculty salaries in key engineering and science departments. Altogether, 163 departments in 66 colleges and universities will participate. This one-time commitment, believed to be the largest of its kind ever made by a corporate foundation, is in addition to the foundation's regular grants program (which awarded some $22 million in the field of education in 1981).

The public expects us to be concerned about engineering education, and we will continue to be. The public probably doesn't expect us to be concerned about the future of the humanities or the liberal arts, but that does not deter us from trying to be helpful in these areas, too. Society needs doctors, architects, journalists, and clergy as well as engineers, geologists, and accountants. We are also concerned with supporting the human services activities of organizations such as the United Way.

The underlying philosophy of corporate philanthropy is that it is good business to be an enlightened corporate citizen. It doesn't make sense to talk about successful corporations in a society whose schools, hospitals, churches, symphonies, or libraries are deteriorating or closing.

Because of this conviction, philanthropy becomes an integral part of the well-managed company. It can't be ad hoc activity, reacting to passing fads. A well-managed program of corporate philanthropy requires a set of goals and objectives; guidelines for determining how much money will be allocated to the program; criteria for making grants and for evaluating their use; and either in-house professional staff or access to competent consultants. Specific goals and objectives should be reviewed regularly, of course, but the company's basic contributions philosophy must be established with the full participation of its top managers and directors. This is fundamental.

The guidelines that directors of U.S. companies often use in allocating funds for contributions is a percentage of pre-tax U.S. income, sometimes averaged over several earlier years. At Exxon, we are now at about 1.6 percent of our past three years' income, and we plan to increase that percentage. Other companies may decide on different objectives; it is setting realistic internal goals and meeting them that is important.

The decision of how much to give should involve the board of directors and top managers in overall strategy and the setting of contribution goals. A professionally competent staff, or qualified consultants in the case of smaller companies, is an essential—and all too often overlooked—ingredient in helping management decide specifically what to give the money for and how to give it so that it will be well used. The staff can be drawn from within the regular ranks of employees or, as at Exxon, some can be recruited from the fields served by the contributions. What is more important is that we maintain high professional standards of performance here, as we do everywhere else in our operations.

Giving money is not enough—we also have to give our time. Close, personal involvement of a company's employees in nonprofit community activities is the best demonstration of business citizenship. By loaning executives to nonprofit organizations where their special talents are needed, or by granting time to employees for volunteer work, we "bring something more than money to the party." And before long, we have found, this sort of direct involvement improves both the way we contribute funds and nonprofit organizations' effectiveness in managing their affairs.

Corporate philanthropy has come a very long way since the railroads began building YMCAs a century ago. I believe business can play an even greater role if there is a concerted effort to put philanthropy on the permanent business agenda. Businessmen should focus on philanthropic activities just as we focus on regular business activities when we are really determined to get things done. We have a splendid—perhaps a unique—opportunity in the next few years to demonstrate anew that the economic system we believe in can work, and work well, in the public interest.

Corporate Philanthropy vs. Corporate Purpose

By Paul W. MacAvoy and Ira M. Millstein

Taking a minority view, MacAvoy and Millstein suggest that the essential responsibility of the corporation is the maximization of long-term shareholder gain, and that making social policy is better left to the government.

In recent years, there have been mounting pressures on large corporations to achieve a wide array of social objectives. These pressures have been intensified by President Reagan's efforts to reduce government spending, which have been accompanied by a broad-based call for corporations to fill the void left by cutbacks in social programs.

The belief that large corporations have a responsibility to implement social policies in their decisionmaking is not new. The 1960s and 1970s witnessed an explosion of government regulations mandating that corporations improve their records in environmental preservation, worker safety, product reliability, and many other aspects of social performance. It was largely the government that defined the appropriate trade-offs between economic and social performance objectives—leaving corporations

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with few decisions to make except how to comply in a cost-effective manner. Indeed, it was the often costly and burdensome way in which government struck the balance between economic and social objectives that led to the current sentiment in favor of deregulation.

The private sector is now being asked to assume more of the burden for achieving social objectives without government control of these trade-offs. The difficult choices that confounded government regulators have been passed on to the corporation, with precious little guidance as to how the corporation, a profitmaking institution, is to achieve these objectives.

In the rush to assign these new responsibilities to the corporation, scant attention has been given to the question whether the corporation can pursue social policy objectives in a manner consistent with its established and traditional purpose. Calling for the large corporation to serve the public interest is laudable, but what corporate supporters and critics alike have ignored is that there is a serious question concerning just how public welfare can be provided by the corporation.

The corporation is a creature of law, designed to enable investors to mobilize capital more efficiently and to organize the resources necessary to produce goods and services. Pooling capital in the corporate form reduces the risk of investment and thereby increases the volume of capital across the economy. The corporation was and is an instrument of economic development whose essential responsibility is to maximize long-term shareholder gains. Indeed, legal and economic constraints limit the ability of corporations to do otherwise.

It is well established legally that "a business corporation is organized and carried on primarily for the profit of the stockholder" and that the pursuit of other objectives must be in the long-term economic interests of the corporation. The most pressing institutional issue for the corporate form is whether it is now structured to favor short-term rather than long-term profits. As noted by Harold Williams, former chairman of the Securities and Exchange Commission, approximately three-quarters of corporate stock is bought and sold by professional portfolio managers of mutual funds, pension funds, and insurance companies, and these managers are under constant pressure to maximize short-term earnings. The corporation is now rather frequently faced with intractable conflicts between short-term profit opportunities, as in a takeover of depressed shares by a larger corporation, and the long-term higher profits to be expected by established stockholders from remaining independent.

In addition to these legal requirements, there are significant marketplace constraints on the corporate pursuit of non-economic objectives. Competitive conditions usually restrict the decisions by which a corporation is operated to two main channels. One is directed toward keeping the corporation's costs low, so that its goods and services will be priced competitively; the other is directed toward keeping the corporation's resources concentrated on developing products for which demand is likely to be high at a profitable price. The competitive marketplace for goods and services generally does not distinguish between companies whose social performance is good and those whose performance is bad. It searches out the best product or service at the lowest cost, so that socially concerned companies that experience higher costs as a result of their efforts may sacrifice market position to their less socially concerned competitors.

The competitive market for corporate shares is another source of constraint. Corporations that sacrifice profits to pursue social policy objectives run a serious risk of being taken over by companies eager to buy up their assets. These assets are cheap, as shown in stock market prices for the corporation's shares, because the stockholders have in their dissatisfaction with dividend returns sold out in favor of more profitable investments. Consider the litigation that would follow if the directors of such a target corporation rejected a tender offer made at a significant premium on the basis that the offeror would not continue to operate the corporation to achieve social policy objectives at the expense of long-term profit.

Expanding the Corporate Role

Proponents of expanding the corporate mission have generally argued, first, that the pursuit of social objectives can be folded into concepts of long-range profit maximization consistent with shareholders' interests, and second, that the constituency to which the corporation should respond extends beyond shareholders to customers, employees, suppliers, communities—even society as a whole. Relying upon these twin theories, corporate critics and friends alike have recently argued that the problem of corporate responsibility is solved: corporations can consider that both economic and social objectives maximize long-term profits and can achieve them by responding to all of their constituencies. In the real world, however, it is not so simple.

To be sure, there are corporate operations in which the pursuit of long-run profit also achieves social objectives. For example, customers may reasonably expect reliable products, good service, and accurate advertising. Most of these reduce long-run marginal costs and increase demand, and therefore are elements in a strategy of long-term profit maximization. Indeed, large corporations do not make long-term profits based on fraud, or on faulty products, in today's highly competitive markets. They can make bad mistakes, of the Pinto, Firestone 500, or DC-10 variety, but these mistakes are quite incompatible with both profitmaking and social objectives. Similarly, corporations in certain circumstances develop minority training programs, improve employee working conditions, and contribute to the hospitals and schools of surrounding communities in order to advance their long-term economic interests.

A genuine problem arises only when there is a direct conflict between the corporation's pursuit of long-term economic and social policy objectives. Here the corporate governance debate has generally obscured the real issues. Simply telling the corporation to maximize long-term profit and to consider the interest of various constituencies does not provide any meaningful guidance in resolving economic and social conflicts. It is no help in deciding to what extent a corporation should reduce long-term profits to achieve social objectives, especially in view of the economic and legal constraints described above.

The correct strategy for the corporation is not to internalize social responsibilities. This is because the corporate form does not allow it, and because corporations should not do what is better done by the political system. The corporation is structured to produce goods and services efficiently and to maximize the return on investment to shareholders. It is undemocratic in its decisionmaking, and legally protected from most judicial second-guessing of its business judgment.

And that is how it should be. Any attempt to democratize the corporation would undermine its pursuit of economic objectives and leave corporate boards with the political task of choosing between conflicting demands. The board is not a political entity, with responsibilities to different constituencies balanced and maintained as they are in a legislature. Yet corporations would be placed in the position of a legislature if they accept that it is their social responsibility to determine when, and how, economic goals are to be balanced against social goals, and to do so by democratizing themselves.

A New Allocation of Responsibility

A more appropriate solution is to reconsider the allocation of responsibilities between the private sector and government in achieving public policy objectives. Although movement toward deregulation has had many significant benefits, reforms to date should not lead to the conclusion that government has no useful function to perform in social policy. Government, not the corporation, is structured to resolve the demands of competing constituencies and to identify and set social policy objectives.

What is needed, therefore, is a better relationship between government and business, one that will improve the allocation of these responsibilities. In reviewing the current call for the private sector to fill the gaps left by reduced social regulation and spending, we hope that what we are hearing is a call for increased cooperation between business and government. Government has a role to play in choosing those social objectives that are external to the marketplace, but are worth pursuing to further the larger public interest. To discharge this role adequately, however, will require much more exact specification of such social objectives and reliance on strategies other than command-and-control regulation (for example, the government might provide economic incentives to maximize specific areas of social performance by corporations).

The correct strategy for the corporation is not to internalize social responsibilities. This is because the corporate form does not allow it, and because corporations should not do what is better done by the political system.

The corporation, on the other hand, should only voluntarily pursue those social objectives that are consistent with long-term profit goals. Beyond long-term profit goals, it is the shareholder who should decide how best to allocate corporate funds for charitable purposes, from the profits that shareholders receive as dividends.

If corporate managers and boards, and their friends and critics alike, understand that the corporation's essential contribution to social welfare is maximization of long-term shareholder gain, making decisions about corporate social responsibility will become easier.

Thoughts on Corporate Philanthropy

By Eleanor Holmes Norton

In today's economic climate it makes sense for business to give more, and to do so thoughtfully and publicly, says Norton, who observes that the public has reason to expect such a response from business, "the favored sector."

Sometimes by design, sometimes in response to events, American business has been evolving new postures toward the communities in which it is located, toward disadvantaged people, and toward society itself. Corporate philanthropy in particular has charted some new directions during the past generation. Giving has become diversified to include not only purely charitable causes but also efforts to mitigate social problems that are seen as unhealthy for business because they are unhealthy for the community. This is the flip side of "what's good for General Motors is good for the country."

Eleanor Holmes Norton is a professor of law at the Georgetown University Law Center, and is former chair of the U.S. Equal Employment Opportunity Commission.

Increasingly, business has understood that what hurts communities hurts business. The creative and committed response of business to the urban disturbances of the 1960s is a case in point. The result has been subtle but real, in some movement away from adversarial attitudes to greater mutuality among business, those served by corporate philanthropy, and the American public.

These changes of attitude toward business, facilitated in part by new directions in corporate philanthropy as well as its greater visibility, are themselves noteworthy. For the centrality of private American business to our economy has led to less public understanding and affection than might have been supposed. Despite their relative affluence and dependence on corporate health, Americans have generally assumed that entities that exist to make a profit ought to be subject to suspicion. Many Americans have impressions of business that can only be described as caricatures. "Business," writes Irving Shapiro, a former chairman and chief executive of E.I. du Pont de Nemours & Company and a former chairman of the Business Roundtable, "particularly big business, is seen as an uncontrolled power that bends the political process to its will and is not sincerely concerned with the quality of its products or the safety of the people whose lives it affects —which is to say, just about everybody." Such attitudes probably have as much to do with deep historical and cultural strains in the American character as with contemporary sources of attitudes and impressions.

Whatever the origin, there is a strong case to be made that the cost of the traditional adversarial relationship between the American people and American business has become higher than the nation can afford, given large changes in world economic conditions. As long as this country seemed to have inexhaustible resources and wealth, there was little incentive to reexplore the relationship between business and various elements of the larger society, or for that matter, between American society and many of its other vital institutions. Shifts in the world economic order in the past decade have left most traditional American institutions in need of some basic rethinking of their role and of the most productive way to accomplish their mission. Government, legal institutions, schools and universities, political parties, unions, and business can no longer comfortably assume the positions toward the larger society that were developed within the expansive American-run world of yesterday. Today's world is not as dominated by the United States and every important issue—from the health of the U.S. economy to the survival of the earth itself—depends on the capacity to evolve and adopt more cooperative and less adversarial approaches.

As a lawyer, I have a keen appreciation for the value and advantages—and the pitfalls and drawbacks—of adversarial postures and processes. But they are by no means confined to the American legal system; they pervade American society. In this country, life is a contest—in sports, in labor-management relations, in nonstop political campaigning, in the popularity of television game shows, in litigious propensities that have all but overwhelmed the courts, and, of course, in the marketplace, which may be the ultimate metaphor for American society itself.

These strong adversarial tendencies are often healthy, and in any case are part of the way Americans are as a people. But there is an increasing realization that to prosper in today's world some greater balance toward more cooperative strategies is necessary to remain competitive. Many of these notions, only just now being explored, manifest themselves in ways as diverse as union participation on the Chrysler board, ads that feature workers committed to manufacturing a product of high quality, worker participation in the ownership of companies, and corporate philanthropy closely identified with the search for solutions to social problems or support for projects of value to communities and to the country.

It seems clear that the national interest and welfare would benefit by a more cooperative relationship between business and the American people as economic competition from abroad increases and as the limits of U.S. resources are increasingly felt. Many are slowly coming to realize that squaring off may be the most expensive and time-consuming way to reach a goal or an accommodation. In the process, some of the "them-us" mentality that has characterized the relationship between business and the American people could ripen into a new relationship built on greater trust and mutuality.

It seems clear that the national interest and welfare would benefit by a more cooperative relationship between business and the American people as economic competition from abroad increases and as the limits of U.S. resources are increasingly felt.

Business Leadership Is Needed

But if these changes are to ripen fully and take hold, leadership that understands the rich implications will be necessary. Continued changes in the adversarial relationship between business and the American public are by no means inevitable. However vital such changes may appear to be, in light of a novel and unfamiliar set of world economic conditions, a new relationship will take skillful and committed nurturing. Although corporate philanthropy will and should continue to be based on diverse urges, these need not exclude giving that bears in mind the critical juncture at which business finds itself.

That juncture quite simply places business at the center of national efforts to re-create the vigorous economic conditions that ceased more than 10 years ago. But the business-oriented policy now coming out of Washington carries with it not only lucrative opportunities for business but also the distinct danger that the "them-us" posture between business and the public could be stiffened. If so, and if I am right that tough new economic conditions demand some adjustment of this relationship, it could not happen at a worse time.

There is evidence of similar thinking beginning now to come from the business community itself. In what must surely be one of the most important public statements of the past year, Time Inc. president J. Richard Munro warned that the new economic initiatives will cut the other way and lose the majority they need for success and acceptance "if people think that the rich and big business get all the breaks." Munro, a strong supporter of the Reagan Administration's economic program, expressed concern that 70 percent of government spending cuts have come from programs for the poor, placing "too high a burden on the poor and the elderly and . . . jeopardizing the long-term goals of the [new economic] program and the interests of business."

Munro had some public policy proposals for which he urged business to work actively, including restoring some funds to social programs and moderating the tax cuts. But his first suggestions were to business itself, beginning with "increasing corporate contributions to organizations that can help with some of these human problems." Noting that the average pre-tax contribution for all corporations is 1 percent today, Munro said that his corporation will pass 2 percent next year and has set itself a goal of 5 percent eventually.

This kind of giving, with specific and increasing goals, might well be expected of American business today. It has, after all, just received tax breaks of historic proportions, relief from regulations, and other incentives while, except for defense, virtually all other sectors—education, the arts, health services, and social programs of all kinds—have been cut and hurt and expect to be cut more. It is perfectly reasonable for the public to expect business, the favored sector, to respond to the needs of sectors that have received often dramatically less favorable treatment.

This does not imply that business should try to replace funds cut from government programs, an obviously impossible task. But corporate philanthropy, no less than other activities, is an ingredient in the public judgment of business. Such activities can no longer be considered cosmetic or even simply the substance of good will or good public relations. Public impressions of American business today will help determine whether a realigned relationship strong enough to overcome U.S. economic difficulties will develop between business and the American public.

Directions for Corporate Giving

Thus, in today's economic climate, it makes sense not only for business to give more but to do so thoughtfully and publicly. More public giving makes sense for two reasons. The first is to set and encourage new standards for corporate giving. Barry D. Karl, a historian and student of philanthropy, has noted that although corporate philanthropy itself is not new, modern corporate giving "is still in its infancy, still looking around to see what to do." One way of sharing information on corporate giving is to do so publicly, a process bound to stimulate ideas, sow seeds, and set the new standards for corporate giving that these times demand.

Second, making corporate giving more public is bound to help in the development of improved public attitudes and the new relationship with the public so many business people not only want, but also believe is in the public interest.

The increased corporate philanthropy can be as traditional as gifts to the arts and education (besides larger gifts to colleges and universities by many firms, 850 companies today match employees' gifts to education). Or corporate giving policies can virtually merge philanthropy with self-interest. A case in point is a proposed undertaking by several corporations to work with the Washington, D.C., public school system to develop high school career training programs in banking and insurance, communications, computer science, engineering, and hotel management.

Whoever the beneficiaries, the benefits to business of such giving could become part of the larger effort that is needed to diffuse public antipathy and to strengthen often tenuous bonds between business and the public. Higher and more thoughtful standards of corporate philanthropy will emerge in the process. These standards will not be pegged to artificial or impossibly high goals, such as making up for cuts in government programs. It seems more likely that business will respond to its own quickened pulse, to a new sense of responsibility, and to the knowledge that its philanthropy will be part of the public measure.

Business Considerations In Corporate Philanthropy

By William D. Ruckelshaus

Corporations should focus their philanthropic programs on the intersection of enlightened corporate self-interest and the needs of society, suggests Ruckelshaus. He proposes that business define its role, establish and participate in new partnerships, and create forums for exploring future options.

We are currently undergoing a dramatic change in this country, a change evidenced by deep spending cuts in established social service programs and calls to shift the responsibility for social welfare from the federal government to local government and the private sector. Underlying this change is the belief that the federal government is no longer the only instrument for the redress of grievances and that it is time for others to assume more of the responsibility for solving social problems.

In one sense, the debate over these respective roles and responsibilities is of long standing. Today, it has assumed a new relevance, particularly for business, in light of changing public policy and the impact of current economic conditions.

The Challenge to Business

It has been apparent for some time that we have been moving toward a redistribution of the massive social responsibilities assigned to the federal government since the 1930s. Most Americans sensed that government largess was over-extended and that the economic consequences of committing an increasing percentage of the nation's output to such expenditures could no longer be tolerated. Inherent in the concern was a belief that dependence on centralized government was sapping the resilience of local communities, as well as that of individuals, to confront and solve their own problems.

Spurred by widespread dissatisfaction with the ability of the federal government to be all things to all people, the Reagan Administration took office with the promise to get government off the backs of the people. The combined program of tax cuts, spending reductions, and New Federalism is based on the assumption that major changes should occur in the relative roles of all levels of government and the private sector in meeting social needs.

News reports have begun to feature stories of men, women, and children who are threatened by these changes. The political opposition has begun to seek ways to unite those groups who feel abandoned, suspicious, or confused by the shift from the succor of the federal government to that of the unknown or the discredited.

It was—and is—an unsettling and disturbing picture for many, including the U.S. corporations and foundations that suddenly must face a rising tide of appeals to fill what is perceived as a widening gap between need and funding.

In terms of dollars, it is impossible for American business to carry this load. Administration policies have created a dollar vacuum for nonprofit social and educational groups that is estimated to be as high as $46 billion; but corporations and foundations gave only a little more than $5 billion to charitable and educational causes in 1981.

The question we are facing is not, are we going to take a larger role in dealing with social problems, but what are we going to do? More importantly, how are we going to do it?

Nevertheless, viewed objectively, it is not hard to understand where these expectations came from, given the emphasis on tax reductions and other economic incentives being offered to investors and business for the purpose of revitalizing the economy.

Under these circumstances, I submit that business will find itself in a decidedly precarious position if we hold to the philosophy that the business of business is profits—

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and nothing else. Concentrating on profits and productivity will certainly benefit society by providing more jobs and a larger tax base, but it should not be done at the cost of damage to the social framework that makes those profits possible.

We cannot forget that the federal funding cuts are not the cause, but the inevitable result, of efforts to make basic revisions in our social order. It will take time, effort, and understanding to reach a new national consensus on the proper direction for the resolution of these changes. In the meantime, this period of potential conflict and uncertainty should concern all of us in the American business community because we are dependent to a high degree on social stability for commercial success. If we refuse to help cope with these changes in a responsible and creative manner, we may not only lose the new-found tax and regulatory incentives needed for prosperity, but also face a national environment far more hostile to the success of free enterprise.

Although it is not realistic to think that business can close the spending gap in dollar terms—nor should we if we could—we can make a key contribution in terms of our technical expertise, managerial ability, and problem-solving experience.

What Business Can Do

The question we are facing is not, are we going to take a larger role in dealing with social problems, but what are we going to do? More importantly, how are we going to do it? There are three specific initiatives that I propose business take to determine its role and make a constructive contribution towards meeting social needs in the 1980s.

First, each business can define for itself, and explain to others, the rationale for both the focus of its program and the proposed level of its philanthropy over the next 10 years.

The sheer number of charitable requests already flooding most businesses, large and small, is reason enough for this action. More importantly, we must take the initiative in defining our role so that it will be clear to others what we can and cannot do.

At Weyerhaeuser Company, we have had a fair degree of success by focusing our programs on the intersection of enlightened corporate self-interest and the needs of society. We have found that by focusing our grantmaking on issues and programs of importance to both society and the company, we have firm grounding for our efforts.

We can now marshal both financial and human resources to address social needs. Using our employees' special expertise to work on social problems relevant to them and their communities benefits us and the areas where we have operations. We can convincingly demonstrate that our charitable giving is supportive of the many constituencies—stockholders, employees, customers, local communities, and society at large—to whom we are responsible. And we can identify new ways to devote our entrepreneurial capabilities to ventures that address important social concerns, such as urban and rural housing revitalization.

Second, after a business has defined its role, it can help create and participate in new partnerships to demonstrate that it is possible for communities and states to take on a larger share of those social needs formerly met exclusively by the federal government.

For example, Weyerhaeuser is participating in Project Transition, which involves corporations and government and voluntary agencies in King County, Washington, in a collaborative effort to identify the most important services affected by federal funding cutbacks. The program has created a pool of private sector dollars that will be used to continue essential programs temporarily while the community develops new ways to sustain them in the future.

It is in our self-interest not to let others set the social agenda for business, but to set it ourselves. By taking the initiative now, we can ensure that our philanthropy and community involvement will be more responsive to current social needs and that it will help to create a better future for all Americans.

Through these types of partnerships, business will be able to ensure that more public and private resources are directed to carefully targeted and cost-effective programs.

We must fight this battle for cost effectiveness from the inside, through active participation—not from the sidelines, from which too many businesses have for too long offered criticism of social programs.

Finally, by defining our roles at the intersection of social and company issues and through participation in shaping these new partnership efforts, business can take the lead in creating community forums to explore the options for our society in meeting its future needs.

This is not a new idea. In the early 1960s, a variety of such forums set out to define goals of livability and the role of the public and private sector in reaching them. Although implementation quickly bogged down in the conflict that characterized the second half of that decade, I believe it may be time to try again. There are signs in the 1980s that a new hope and a new willingness to work together are emerging and evidence that people are looking for new ways to solve their common problems.

I believe that American business has the resources to lead this effort and the opportunity to seize the initiative in helping to find new and innovative ways of addressing social challenges in the coming decade.

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The Role of Business In Community Affairs

By C. William Verity Jr.

Community partnerships, nonfinancial investments, and profitable social responsibility can offer companies of all sizes new ways to widen their community relationships. And community involvement, says Verity, is definitely good business.

Corporate philanthropy is in the best interest of the country, the community, and the corporation.

Business has long recognized that its stability is directly affected by local economic and social conditions. Local government leaders are equally aware of the role business development plays in a happy, healthy community. It is not a mutually exclusive relationship but a reciprocal one, a partnership between community and corporation.

A corporate policies statement written for Armco Inc. in 1919 made it plain that "industry should, not only keep its own house in order, but should support every sound constructive agency established in the community, in an effort to make civic conditions respond to the highest needs of its citizens." Sixty-three years later, Armco and many other firms operate under an almost identical code of corporate social responsibility that supports the notion that community involvement is good business.

Corporations and company foundations contributed approximately $2.7 billion to social programs in 1980. This figure does not include the billions of dollars' worth of time and talent volunteered by corporate managers and employees during the same year. However, this $2.7 billion was contributed by only 25 percent of this country's more than 2 million companies. Obviously U.S. business could do more.

The President's Task Force on Private Sector Initiatives recommended that corporations double this amount over the next four years, with a goal that tax-deductible contributions represent at least 2 percent of pre-tax income.

The task force has also suggested that business double its current involvement in community service activities, both its financial contributions and voluntary activities, within four years. The task force is also urging business to reassess the pattern and direction of cash contributions and other forms of public involvement to ensure that the most pressing social and economic needs are being addressed effectively.

Lastly, the task force is urging businesses to make an active commitment to involvement in the development and enhancement of public/private partnerships in their communities.

This forging of partnerships is at the heart of the work of the President's Task Force on Private Sector Initiatives, which is encouraging their formation, especially among leaders of religious, neighborhood, and civic groups, labor unions, and volunteer and educational organizations, as well as leaders from business and government.

The Community Partnership Concept

A partnership in which all elements of the community are represented provides a forum for assessing local needs and devising collective ways of addressing them. Some 80 or 90 of these partnerships already exist in communities throughout the country. Because President Reagan believes that only at the local level can real social and economic needs be determined and met, he has asked the task force to help establish as many additional community partnerships as possible in 1982.

The community partnership concept offers the business sector a new approach to community involvement. As an equal member of the partnership, the business sector has a full voice in determining and addressing the needs of its community. By the same token, as an equal partner, business plays a role in the community's economic and social progress but cannot be held fully responsible for it. It must be clearly understood that the business community cannot bear the responsibility of supporting programs that have been eliminated or reduced by budget cuts; business is only one element of the private sector.

The community partnership also allows business to

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see areas of real need in the community, providing companies with a better focus for the investment of money and manpower. Many companies support programs year after year, with little true knowledge of changing community needs. By combining its financial and human resources with those of other partners from the private and public sectors, business can in many instances make both dollars and volunteer contributions go farther.

Finally, the local recognition that business can receive as a member of a community partnership can be considerable, providing a boost to its local image and employee pride.

The President's Task Force on Private Sector Initiatives is encouraging U.S. businesses not only to join community partnerships but also to take an active role in beginning them. Local branches of the U.S. Chamber of Commerce, the National Alliance of Business, the National Association of Manufacturers, and other organizations are cooperating in the establishment of these partnerships.

The task force is also maintaining a data bank, which will provide corporations and community partnerships with examples of private sector initiatives that are already under way in other parts of the country. The system will serve as a clearinghouse, telling communities with problems about communities with private initiative solutions.

The Role of the Business Partner

Many businesses are feeling pressure from employees and citizens to do more than provide jobs and products or services. Many are responding by taking a long-term view of the benefits of investing human resources in the community. For example, one of the most successful partnerships in the United States is the New York City Partnership. This group created 10,000 summer jobs for unemployed youths in 1981, provided the city with loaned executives to help improve the subway system, and is working to solve the crime and housing problems that the city faces.

Many businesses are feeling pressure from employees and citizens to do more than provide jobs and products or services. Many are responding by taking a long-term view of the benefits of investing human resources in the community.

Another successful merging of public and private interests is the Greater Baltimore Committee, a partnership responsible for the Inner Harbor, a spectacular development that has made Baltimore a major tourist attraction and given it a new reputation as one of the most dynamic cities in America. Now the partnership is working on neighborhood revitalization and a housing program.

In both New York and Baltimore the business community is a major partner. Business understands that there is an obvious relationship between stable, productive communities and customers with purchasing power, as there is between community stability and the ability of a company to attract and hold competent employees. Each partnership began to see the interdependence of the future growth of the community and the corporation.

In addition to community partnerships, there are two other areas of activity that could contribute greatly to community development if they were approached creatively by business.

In the past, corporate philanthropy has been measured primarily by the number of dollars invested in the community. It is time other types of investment were considered as well. For example, both local government and nonprofit organizations need corporate management skills and financial abilities. This investment of time and talent can be accomplished through employee volunteer programs. And through an employee volunteer recognition program, a company can help heighten the role of volunteerism in the community.

Community partnerships, nonfinancial investments, and profitable social responsibility offer large corporations, as well as small and medium-sized businesses, new avenues for expanding their relationships with the communities in which they are located.

There are other resources that a company can provide, such as land for community gardens or parks, space for day-care centers or community meetings, and computer or printing equipment for use by civic or nonprofit groups, libraries, or schools. The list goes on and on. However, because the federal government has provided the resources for many local social programs for so long, many companies have never considered the use of such nonfinancial resources in community development.

Finally, too few business leaders have understood that there is no conflict between profits and social responsibility. In fact, it's time to take a new, creative look at how the business sector can help address community economic and social needs at a profit to the company. There are a few firms in this country, such as Control Data Corporation, that have seen unmet needs as business opportunities for years.

In Minneapolis, for example, Control Data opened a plant in an abandoned inner-city bowling alley. The plant provides binding and collating services for the company, and it employs mostly handicapped persons and the mothers of young children. The hours are flexible, the work is valuable, and the profits are considerable.

Other companies, such as American Express, have integrated corporate philanthropy with the growth of the company. Under the American Express program, a donation is made to a specific local organization each time the American Express card is used in that metropolitan area. Dollars from the corporate marketing budget are used to promote the program, which has been so successful that it is being expanded from its five test cities to other cities.

In Wichita, Kansas, the Kansas Gas and Electric Company (working with the Red Cross), has established a program whereby its customers can voluntarily add $1 to each bill. The money is used to assist the elderly in paying their bills and in making emergency energy improvements and repairs. Such a program is good for the elderly of Wichita; it is also good for Kansas Gas and Electric.

In all three of these examples, creative thinking has turned the exercise of social responsibility into money-making ventures that increase profits, not decrease them.

Community partnerships, nonfinancial investments, and profitable social responsibility offer large corporations, as well as small and medium-sized businesses, new avenues for expanding their relationships with the communities in which they are located.

Regardless of the future role of the private sector in addressing community needs, the relationship of community and corporation will remain unchanged. For communities are America's most important corporate suppliers. They provide manpower, land, neighborhoods, schools, streets, bridges, and water. If the community does a good job, the corporation has no trouble attracting employees to live near and work in its factories and office buildings.

Likewise, business provides the community with a strong economic base, with jobs, goods, services, and tax revenues. When the alliance works together in harmony, both partners, as well as the entire country, benefit from a healthy climate for growth and enterprise.

Management

The Organization of a
  Corporate Philanthropy Program
Decisionmaking in Corporate Philanthropy
The Role of the Chief Executive Officer
Profile of the Corporate Contributions Professional
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The Management of Corporate Philanthropy

The Organization of a Corporate Philanthropy Program

By Alex J. Plinio

How a company organizes its philanthropic efforts reflects its own organization, climate, and traditional way of operating. Plinio describes and contrasts three models—direct contributions, managed by a contributions or public policy committee; company foundations; and Clifford trusts.

How a company chooses to organize its philanthropic activities may reflect a number of factors: the desires of the chief executive officer and his or her view of corporate social responsibility, the level of interest shown by members of the board of directors, or the concerns of management regarding the control of grant funds and where that control should lie within the company. It may depend on the level of commitment, shown by the presence of a contributions staff and money allocated for administrative expenses. Certainly the size of the giving program and the desire for either high or low public visibility will bear on organizational decisions.

Tax considerations play an important part, as do the nature of the company's business and the stability of its profits from year to year. In a well-thought-out contributions program, the goals of the program and the company's willingness to organize properly to achieve them are essential ingredients.

The organization may be a reflection of internal political concerns as well. Where is the philanthropic function placed within the corporation for reporting purposes? What are the experience and background of the people named to staff or head the function?

Most often, it is the company's internal organization, climate, and traditional way of operating that are the major factors affecting the way it organizes its philanthropic efforts. William A. Orme of the General Electric Foundation put it this way: "For the philanthropic program to work best, it should be consonant with the company's management theory and operating system. For example, a decentralized company with relatively autonomous local operating units will most likely have at least some decentralization and autonomy built into its contributions program."

As the late Walter A. Hamilton of the Conference Board pointed out, "As companies grow from proprietorships to multinational corporations, the contribution function shifts from a 'hip pocket' function of the owner chief executive to an institutionalized element of corporate

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Alex J. Plinio serves as vice president of contributions for the Prudential Insurance Company and is also vice president of the Prudential Foundation.

public affairs, integrated with overall corporate objectives and plans. And as this shift occurs, the management of the function comes to require the same sort of professional skills, approaches, and methodologies as do other established main-line functions in corporate management."

Companies usually choose one or more of three methods to make their contributions. First, contributions may be made directly by the company; second, a company foundation may be created to handle the philanthropic program; third, a Clifford trust may be implemented. (Under a Clifford trust, the company turns over some of its assets for a set period—usually a little more than 10 years—during which time all income earned by those assets goes to charity. At the end of the set period the assets revert to the company.)

Direct Contributions

When the corporation chooses to handle its philanthropic program directly, it is typically done through the board of directors and a public policy committee or contributions committee. The latter committee may be composed of board members or company executives or both. According to a recent report by the Council for Financial Aid to Education (CFAE), "at least 150 major companies have added to the traditional standing committees an additional one to deal with matters of corporate social responsibilities. [Public policy] committees have generally been composed primarily of outside directors whose views have been shaped by forces external to the corporation."

Public policy committees—also called corporate responsibility, social responsibility, public responsibility, and public issues committees—are concerned with a number of issues, including the company's charitable contributions. They are relatively new to the corporate scene, having first arrived in the late 1960s or early 1970s. The CFAE report provides a listing of companies that have public policy or social responsibility committees of the board; among them are AT&T, CBS Inc., Exxon Corporation, Norton Company, Squibb Corporation, Crocker National Bank, and the General Electric Company. For the most part, these committees are found in larger, geographically dispersed companies headed by a chief executive who is known for his or her commitment to the corporation's public role. As a matter of fact, one Conference Board survey found that the most frequently mentioned reason for having a committee is that the chief executive officer wanted one.

Other companies have a corporate contributions committee. Although public policy committees are all responsible for contributions as well as other issues, the contributions committees are solely responsible for the company's philanthropic program.

Most board committees, be they public policy or contributions, are heavily weighted with nontraditional members of the board—women, members of minority groups, and members of the academic community. The typical committee meets four times a year and has five or six members, more than half of whom are company directors. Less than 20 percent of the companies have employees who are not directors on the public policy committee. Members of contributions committees not derived from the board of directors are typically members of the company's top management team. It is unusual to find nonmanagement employees or community members on these committees. (However, nonmanagement employee committees, some with advisory or recommending authority and others with approval authority, can be found in companies with foundations, Clifford trusts, or direct giving programs.)

These committees all rely heavily on staff work. Three-quarters of the committees have a staff member formally assigned to them; almost all have an informal working relationship with one or more individuals at the management level.

Most often, it is the company's internal organization, climate, and traditional way of operating that are the major factors affecting the way it organizes its philanthropic efforts.

Among major companies, a little more than one-third of the direct giving programs can be found in the public affairs department. Other departments, including personnel, public relations, urban affairs, and administration, may also be given this responsibility. The smaller the company, the more likely it is that the giving program is located in the chief executive's office.

Foundations and Trusts

When a company chooses to establish a foundation or trust to handle all or part of its contributions program, it is usual that either high-level company executives or outside directors of the board, or both, act as trustees. As with public policy or contributions committees, it is unusual to find trustees who are either nonmanagement employees or community members who have no affiliation with the company.

A few companies have created foundations for special purposes—the Exxon Education Foundation and the Johnson Foundation, for example. All 10 Exxon trustees are company executives; the Johnson Foundation board does have members from outside the company.

Approximately 65 percent of the companies with giving programs that report to the Conference Board have company foundations. Legally, corporate foundations are separate entities. In practice, however, they are usually managed by the staff of the company. Most of the time, the same staff handles the company direct giving or trust-based program as well.

There are two significant reasons why a company might select a Clifford trust as a means of handling its contributions. First, reporting and paperwork requirements are less burdensome than those that apply to foundations, but some of the advantages of foundation-based programs are retained. Second, the gift that established the trust is automatically returned to the corporation after the trust has been in existence for 10 years and a day.

It will help to look at the way a few companies have chosen to organize their contributions activities.

The General Electric Company, with headquarters in Connecticut, had a $16 million grantmaking program in 1981. Seventy percent of this money found its way to nonprofit organizations through the General Electric Foundation; the remaining 30 percent was allocated through the company's direct giving program. The foundation's board is composed of six senior company officers and meets four or five times a year. Standing committees of selected company employees who are competent in specific grantmaking areas help develop program, screen proposals, recommend grants, and evaluate recipients' performance for a special executive advisory council. The council screens, and must endorse, all requests prior to trustee review.

General Electric's direct giving program is a line-management responsibility; company managers approve individual contributions within their approved budgets, with the top 15 officers able to authorize individual contributions up to $50,000. The company and foundation budgets are endorsed by a public policy committee of the board of directors; the foundation budget is approved by both the foundation trustees and the company's board of directors.

Advanced Micro Devices Inc. in Sunnyvale, California, is quite a small company compared with General Electric; it has been in existence for just 13 years. Its annual contributions budget is currently 1 percent of pretax income, and it is one of the first companies from "Silicon Valley" to have a formal giving program.

The direct giving program at Advanced Micro Devices is guided by two contributions committees. The major committee is composed of company vice presidents who serve a three-year term. The company also has a special technical education committee, made up of three vice presidents from the technical areas of the company and the manager of university relations. The latter committee administers almost 50 percent of the budget, primarily to help fund higher educational institutions with which Advanced Micro Devices has mutual interests. "The semiconductor industry is a relatively new one and has little established tradition of philanthropy," points out Cherie L. Miller, the firm's corporate contributions manager. She indicates that the company seeks out projects in plant communities, such as child-care programs and those serving employee health and welfare needs, such as domestic violence, substance abuse, and family counseling programs.

General Electric and Advanced Micro Devices are two different companies with two different organizations to handle philanthropic programs. Let's take a further look.

Leaseway Transportation Corporation of Beachwood, Ohio, has evolved from a family-owned business to a public company. Its present chairman of the board is the first chairman not related to the family that founded the company. Leaseway has a direct giving program that is closely tied to the interests of the company, with annual grants of less than $500,000. Barbara Radigan is secretary to the contributions committee, which is composed of the chairman of the board and three company executives.

Radigan reports to the company's vice president of human resources. She says, "The board of directors approves the amount to be budgeted each year. Recommendations for grantmaking opportunities come in from decentralized field offices to the contributions committee. All payments are made from the central corporate headquarters and the committee must approve all grants in excess of $200 each."

At Mutual Benefit Life Insurance Company in Newark, New Jersey, 80 percent of the company's contributions are made through a Clifford trust. Allen Stoecker, secretary of the trust and vice president for public affairs for Mutual Benefit, says, "The trust has three trustees: a president, a secretary, and a treasurer. All grants, including matching gifts and United Way, are made by the trust, except for deferred or multi-year commitments and grants to organizations that are not tax-qualified, neither of which is permissible under the terms of the trust. In our case, the company has been contributing to the trust each year, which extends the life of the trust."

When a company chooses to establish a foundation or trust to handle all or part of its contributions program, it is usual that either high-level company executives or outside directors of the board, or both, act as trustees.

The Crum and Forster Foundation in Morristown, New Jersey, is three years old. Its 1982 budget is $1.4 million; in addition, the Crum & Forster Corporation's direct giving program will make approximately $300,000 in grants. The corporate contributions coordinator, Ruth G. Goodell, is a full-time staff member reporting to the company's vice president of personnel, who is also vice president of the foundation.

Goodell notes that the foundation is important because it helps to "carry on an even giving level over years where there are reduced company earnings." The trustees of the foundation—the same executives who sit on the company's contributions committee—decide on the most appropriate use of these dollars and report to the company board of directors at the end of each year.

S.C. Johnson & Son Inc. is a private, family-owned company in Racine, Wisconsin. The company created a private foundation, the Johnson's Wax Fund, that will make grants amounting to approximately $1.5 million in 1982. The foundation is not endowed; it receives a contribution from the company each year. The chairman and vice chairman of the company sit on the company's board of directors and the foundation's board of trustees. Joining them as trustees are other company executives, including the senior financial officer, a senior personnel officer, and other corporate officers. The company also has a direct giving program, handled by the community relations department.

There is an unusual organizational development here: at roughly the same time that the Johnson's Wax Fund was established, Herbert Fisk Johnson, father of the present chairman of the company, created an operating foundation called the Johnson Foundation. The Johnson Foundation is supported by income from endowments and contributions from the company and descendants of the founder. The foundation's principal activity is planning and holding conferences at Wingspread, an educational center that was formerly the Johnson family home. The chairman of the company is also chairman of the operating foundation; however, the other trustees are outsiders, not from the company's management.

So, there are foundations, trusts, and direct giving programs in centralized and decentralized companies, large and small companies. The administration of these programs is accomplished in a wide variety of ways. The rationales supporting the different approaches also vary widely.

Advantages and Disadvantages

Foundations have some advantages. They cushion the company's giving in lean profit years, and they help to insulate top managers from the many requests for support. A foundation can also take advantage of a 2 percent excise tax on income in the foundation, instead of the company's effective tax rate on the earnings used to make direct grants. And foundations provide a formal way to focus the company's giving program.

Gifts to company foundations, however, cannot revert to the company's control. The reporting requirements applied to foundations cause extra work, as does the handling, for tax purposes, of gifts of appreciated property. In addition, there is the normal tension created in deciding which grants appear to be so directly related to the company's interests that they should not be made by the foundation.

Foundations have some advantages. They cushion the company's giving in lean profit years, and they help to insulate top managers from the many requests for support.

Direct giving programs provide the company with more control over its grantmaking dollars. However, there is less protection against poor earnings years than with a foundation, and the taxes due on earnings left in the company are substantially greater than those due on the same sum held in an endowed foundation. Company executives have less chance to put distance between themselves and the contributions program and must therefore accept the pressures that go with the authority to approve a grant. (An excellent source of information about direct giving programs is the Council on Foundation's "Memorandum on Corporate Giving." Among other things, the memorandum reviews the advantages and disadvantages of company foundations and provides a compendium of applicable federal tax laws.)

Both foundations and direct giving programs involve tiered approval systems. The tiers that exist include nonmanagement employee committees, management or executive committees, advisory committees, foundation or company staff and officers, committees of the foundation or company boards, and the foundation and company boards themselves.

In a study completed by the staff of the Prudential Foundation in June 1980, 40 major companies were surveyed and questioned as to where approval authority was located in their respective organizations. For grants of $1,000 or less, 45 percent of the companies allowed staff to make the decision; only 6 percent said that board approval was required, with 49 percent requiring various levels of approval beyond the staff level but below the board level. For grants between $5,001 and $10,000, 16 percent of the companies reported that staff approval was all that was required, while 32 percent said that grants of this magnitude go to the board. None of the companies reported giving the staff approval authority over grants exceeding $25,000. For grants of more than $25,000, 66 percent of the surveyed companies said they are required to seek board approval.

Different organizational approaches can be equally valid, as can be seen by the array of effective giving programs based on widely varying organizational structures. This seems to corroborate Norman K. Barnes's statement in a 1974 *Fortune* article, "Rethinking Corporate Charity," that "the principal obstacles in the way of a rational giving program appear to be conceptual rather than organizational."

John Dewey pinpointed the question facing those who must decide the organizational issue confronting any company's philanthropic program: "Is there anything in the whole business of politics, economics, morals, education—indeed in any profession—save the construction of a proper human environment that will serve, by its very existence, to produce sound and whole human beings, who in turn will maintain a sound and healthy environment?" ("The Unity of the Human Being," New York: Pocket Books, 1959.)

Decisionmaking in Corporate Philanthropy

By John Pierson

In a trend paralleling President Reagan's effort to return many government functions to the states and localities, a number of U.S. businesses are adopting a grass-roots approach to giving. Pierson explores this trend, while noting that some corporations still prefer a system of central control that depends on information gathered at the local level.

"It was," she recalls, "a pain."

Every time one of Hallmark's local managers wanted to give more than $200 to any charity, he or she had to call headquarters in Kansas City, Missouri, for permission. Not only was it a pain, but the system didn't work.

"We were totally centralized, and it didn't produce good results," says Jean Bates, administrator, charitable affairs at Hallmark Cards Inc. "It's very difficult to decide from Kansas City what's needed in a small community."

So, starting two years ago, Hallmark told its local people they could give away 10 times as much—$2,000 at a crack—without so much as a by-your-leave from Kansas City. The new, less centralized system has resulted in "more dollars spent locally and more impact for those dollars," says Bates.

Hallmark isn't alone in trying to lodge more responsibility for corporate giving at the grass roots. There's a centrifugal trend in the way U.S. business organizes its philanthropy, a trend akin to President Reagan's effort to hand big chunks of government back to the states and localities. But like Reagan's New Federalism, grass-roots philanthropy inspires doubts as well as hopes, even among those firmly committed to the idea of decentralized giving. The doubts are about things like stinginess, inexperience, lack of imagination, and timidity at the local level.

So, despite a movement away from the center, the world of corporate charity still displays great variety—some systems are centralized, some decentralized, and many in between. For many companies, what seems to work best is a mix.

Potlatch Corporation's giving program is relatively decentralized; the main responsibility for local charity belongs to the managers of Potlatch's 30 plants. Once a manager's request is approved by his division chief, there's little second-guessing in San Francisco. "The people on the scene know far more about their communities that we can know," says Richard C. Nordholm, vice president for community relations.

What sets Potlatch apart from many companies is its insistence that local managers do their own charity out of their own plants' pockets. "We give our managers the responsibility of operating a business, and one of the costs of doing business is supporting community efforts, just as if we were a locally owned company," says Nordholm.

As do most other relatively decentralized systems, however, Potlatch retains a vigorous center. Only a quarter of the $1 million Potlatch gives away each year goes to local causes. The rest goes either to San Francisco charities or to national organizations, and these grants are handled from headquarters. What's more, says Nordholm, having to dig into their own pockets for charity makes local managers "resistant" to making big gifts. So for things like a $100,000 dormitory for retarded children in Lewistown, Idaho, or a $30,000 park in McGee, Arkansas, local managers come to headquarters for both the okay and the money.

Finally, Potlatch is considering making philanthropy part of a local manager's annual evaluation, because, as Nordholm puts it, "If there's any weakness to our system, it's that it permits a plant manager to do less than we think he should."

To keep a local manager on his philanthropic toes—that's precisely why Dayton Hudson Corporation includes charitable giving in the annual evaluations of operating division executives. Nor is the test perfunctory. "There are examples where it's cost them points for promotion and it's cost them dollars," says Richard S. Contee, president of Dayton Hudson Foundation.

And to make a local manager less resistant to giving—that's exactly why Hallmark has *stopped* making plant managers dig into their own pockets for their own charity. "We weren't getting enough requests, particularly from our smaller plants," says Jean Bates.

Another company that chooses to scatter much of the responsibility for charitable giving is Levi Strauss &

John Pierson, an independent writer based in Woodstock, Vermont, was for 13 years a Washington correspondent for The Wall Street Journal.

Company. The clothing manufacturer requires each of its 68 U.S. plants to form a community involvement team, made up of employees, who assess local needs and seek money from headquarters in San Francisco. Although the teams aren't restricted in the kinds of causes they can support, headquarters won't provide any money unless Levi Strauss employees are already volunteering time to the charity and have raised money for it locally. The company gives away about $6 million a year, and the teams are responsible for about 25 percent of that. "Grass roots to the core," says Ira S. Hirschfield, executive director of the Levi Strauss Foundation.

The teams are independent, too. After the company gave $30,000 for a recreational center for the disabled in Benton, Arkansas, Hirschfield attended the opening.

"What else can we do for you?" he asked the local team.

"We don't want you to do a thing," replied a chorus of voices. "We want the community to do it."

The Levi Strauss teams also serve as storm petrels, helping to guide the foundation in its support of national charities. "Usually the local people identify the country's problems before we do," says Hirschfield.

Never mind the country's problems—sometimes even a local problem seems to escape the notice of an out-of-town company's local management. Whether they like it or not, local managers at Allis-Chalmers Corporation have an extra set of eyes and ears in R.P. Buchman, the company's urban affairs manager. From time to time, Buchman leaves headquarters in Milwaukee and descends on an Allis-Chalmers plant.

Like Reagan's New Federalism, grass-roots philanthropy inspires doubts as well as hopes, even among those firmly committed to the idea of decentralized giving. The doubts are about things like stinginess, inexperience, lack of imagination, and timidity at the local level.

Starting six months before his big visit, the former Congregational minister reads every document he can lay his hands on, catechizes a half-dozen local employees, and reads the local press to tatters. Once on the scene, Buchman interviews 50 to 60 citizens—housewives, high school students, cops, businessmen. He even tries to drive his rented car down every street in town.

"Being an outsider is a distinct advantage," says Buchman. "You can see things in a day that for a lot of people in the community have become part of the woodwork."

After one such "audit" of York, Pennsylvania, Buchman persuaded Allis-Chalmers' local bosses to stop using suburban motels and to start putting up visitors like himself at the Yorktowne Hotel, a gracious old inn that civic leaders had restored to help breathe new life into downtown York. "That was evidence we weren't talking enough to the local people," says Buchman.

The same trip convinced him that both the city and the heavy equipment maker had long suffered from the flight of blacks and Hispanics, who left town right after high school because they felt they had no stake in the community. Again Buchman persuaded local Allis-Chalmers executives to underwrite a program to develop young community leaders, especially among minority groups.

The word "persuade" is important. "I can't tell anyone what to do. I have to get their approval," says Buchman, who last year helped dispense $750,000 in charity. "I wanted to start a leadership program in another town, but I got no interest on the part of our general manager there, so it never got done."

As with Potlatch, the independence of Allis-Chalmers' local people is strengthened by their having to pay for charity out of their own funds. But headquarters in Milwaukee has agreed to match any capital grant made locally.

Like most trends, the one toward grass-roots corporate giving has its counter-trend. Tosco Corporation, for example, has gone the other way—from a system where the locals had most of the say about local giving to a system tightly controlled by headquarters.

Until two years ago, Tosco's main office in Los Angeles set the company's budget for charity and then divided that up among the company's local plants with virtually no questions asked. Today, Tosco's local managers must come to headquarters for permission to spend more than $100 on any cause. Vice president Mark M. Gallon, whose only job is giving away $600,000 a year, goes over each request carefully and visits each location at least once every quarter.

A centralized system suits Gallon because it avoids duplication—every plant giving all its money for cancer research and the like. It promotes the energy company's name identity in places where Tosco has recently acquired someone else's plant. And it permits Gallon to bring to bear 20 years' experience in the philanthropic world, whereas a Tosco plant manager may have little more to guide him than his technical expertise.

"Their social concern, although very real, is perhaps very inexperienced," says Gallon.

Gallon adds that central control helps avoid "the old-boy network of the golf course, one that isn't always responsive to local needs." For example, when one of Tosco's local managers proposed to give money to the statewide sheriff's association, Gallon decided that the company could get more protection for its employees by paying for a Neighborhood Watch program in the town where the Tosco plant is located.

It may seem a long way from Kansas City to Los Angeles, from Hallmark to Tosco, from $2,000 to $100 of local mad money, from main office modest to main office bold. Yet wherever they lie on the scale from loose to tight, the corporate giving systems that seem to work best are those with headquarters and the grass roots moving together in a state of creative tension, where both the center and the circumference know how to hold.

"We have no rigid guidelines," says Tosco's Mark Gallon. "The bottom line is how we affect the people in the communities where we work."

The Role of the Chief Executive Officer

By Kathleen Teltsch

Teltsch describes the new breed of chief executive officer, leaders willing to combine local interests with a wider concern for increased social responsibility, and profiles cities where CEOs have effectively worked together for the good of the community.

Years ago, a company leader was considered a success if profits rolled in and shareholders and workers were relatively satisfied.

These conditions still apply. But today's corporate pacesetters are also supposed to demonstrate a concern for the communities where their employees and customers live.

Corporate leaders are under considerable pressure to widen the traditional role of the chief executive officer. The White House appointed a number of CEOs to a task force charged with stimulating private sector initiatives (compensating thereby for reduced federal funds for community services), and prestigious private panels, such as the Business Roundtable, have issued statements encouraging increased corporate giving and voluntarism by company leaders. And there appears to be no end to the conferences going on across the country addressing the theme of corporate social responsibility.

Responses to these developments by CEOs appear to be mixed. Some executives turn a deaf ear; others have thrown themselves enthusiastically into promoting partnerships between business and the civic sector, now very much in fashion. Some CEOs give 35 hours a month and more to this work, according to surveys by the Committee for Economic Development.

A number of CEOs have emerged as influential leaders. But what about the others?

"There still are many business leaders out there who feel they have discharged their duties by seeing that the company gives a little more this year to the local college or hospital," says W. Michael Traphagan. He now handles corporate public relations for R.J. Reynolds Industries Inc., but he has worked for companies whose giving was "unplanned and unfocused."

Some are critical of increased involvement by CEOs, fearing that they will only direct giving to pet charities. Samuel M. Convissor, staff vice president of RCA Corporation, has observed that corporate giving needs to be "democratized," adding, "the corporate contributions budget in too many companies reflects the personal choices of senior management."

In some large corporations, grantmaking decisions are delegated to a senior officer. Increasingly, such firms are also naming committees to help shape corporate giving policy.

For example, J. Paul Sticht, the CEO of R.J. Reynolds, set out some years ago to add members from outside the company to the board of directors and its committees. One committee sets broad policy lines for the firm and another oversees contributions. Women and members of minority groups were brought in to make these committees broad in representation.

In some large corporations, grantmaking decisions are delegated to a senior officer. Increasingly, such firms are also naming committees to help shape corporate giving policy.

Although Sticht as CEO does not make specific grantmaking decisions, he will occasionally make a vigorous recommendation to the board; for example, Sticht has argued successfully for a $500,000 grant to help relocate low-income families displaced by a new factory.

Board members as well as chief executives have key roles to play in helping shape contributions policy, but they should not as a rule attempt to exercise their influence with respect to specific grants, maintains Gertrude G. Michelson. Michelson is a senior vice president at R.H. Macy & Company Inc. and a member of the boards of

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the Quaker Oats Company, the General Electric Company, the Chubb Corporation, and other firms.

Because many corporations are multi-plant operations, she argues, specific grants should not be determined by someone (a board member or CEO) who cannot possibly have adequate information about community conditions in all the localities involved. Michelson feels that specific grants should be determined by an officer charged with this responsibility, adding, "If that person is doing the job, there will be close, ongoing contact with the plant manager."

A director can significantly affect grantmaking in several ways—by determining the contributions budget, for example, or in an oversight capacity. As for the CEO's role, Michelson argues that it should be one of leading by example. If the CEO demonstrates a sense of community involvement, this inevitably will influence senior managers and be communicated quickly enough throughout the company.

Some CEOs have chosen just such a leadership role in serving the community and in encouraging others to do so.

"We can't live on a hill or ride around all day in a big car," says Andrew C. Sigler, CEO of Champion International Corporation, the giant forest products enterprise with headquarters in Stamford, Connecticut, and facilities at 400 locations around the country. "A company like ours . . . has to be concerned about the environment where we operate."

No hilltop dweller, he is also chairman of the Stamford Economic Assistance Corporation. Sigler meets regularly with city, business, and community representatives tackling the community's sudden and disruptive growth problems, such as a shortage of moderately priced housing or the inadequacy of the six-inch sewer system in the rapidly developing South End.

Sigler is representative of a new breed of CEO, leaders willing to combine local interests with a broader concern that corporations demonstrate more social responsibility than in the past. Sigler was one of those tapped by the White House for the President's Task Force on Private Sector Initiatives. He also headed a Business Roundtable task force that issued a policy statement endorsing both increased corporate giving and deeper public involvement.

These are useful undertakings, he maintains, and the peer pressure they create can help induce companies across the country to become more responsive to community needs. But as CEO, Sigler says, he tends to be more involved in local matters "because I can have the most impact there."

Sigler has demonstrated "outstanding leadership," says Stamford, Connecticut, Mayor Louis A. Clapes, even in a city whose CEOs are uncommonly committed to improving the quality of life. Sigler shrugs, saying, "Don't make me a hero, most CEOs here feel as I do."

What's true of Stamford is true also of Kansas City, Missouri, where a group of CEOs is actively working as well as contributing money, both corporate and personal, for the community's benefit.

"Kansas City is well blessed with its CEOs," says City Manager Robert A. Kipp. The city has 80 companies pledged to devote 2 percent of pre-tax income to civic causes, an initiative modeled on the "5 percent club" of Minneapolis.

However, the activist core of CEOs comes down to a dozen or so leaders such as Donald J. Hall, president and CEO of Hallmark Cards Inc., and Henry W. Block, CEO of the sprawling tax-consulting empire, H&R Block Inc. The Hallmark Educational Foundation, with assets of $70 million, has made major contributions to education and the arts and helped refurbish the city's downtown musical hall into a center for cultural activity.

A director can significantly affect grantmaking in several ways—by determining the contributions budget, for example, or in an oversight capacity.

Hall, whose wide-ranging interests include support for the Midwest Research Institute, sees the role of the CEO as having expanded significantly: "To me, the new role must include making the community more viable and more pleasant to live in. I think almost all CEOs have accepted that now."

According to Block, some people think there can be too much of a good thing: "People think I'm nuts because of the amount of time I spend on city business," he says. Block calculates that he has served on the boards of 28 nonprofit and community groups, in addition to presiding over the Civic Council.

The council brings together the CEOs of 100 major concerns in the area to address such issues as school improvement, neighborhood revitalization, and economic development. Council members meet once a month for an early-morning breakfast, joined by city and sometimes by state officials. But collaboration among the business leaders is a continuous exercise.

"Things have to be done at the top level by CEOs because only they have the authority to make decisions, act quickly, and the prestige to push them through," says Block. "Only CEOs have the freedom to spend so much time without worrying what the company officials think. What's bad is that we always see the same faces."

Block recognizes that his own financial contributions are influenced by what other businessmen do. "I want to know who else is giving, what's the size of the company and how much are they giving, before I decide," he says, adding, "Everything is on a peer basis."

Although Kansas City has been supported by many CEOs, Block says that many more "couldn't care less and would rather take a three-month vacation than give their time."

Because of the cutback in federal funding, cities that have successfully marshaled local leadership are receiving national attention. One of these is Minneapolis.

Mayor Donald Fraser acknowledges that business, not government, has been the moving force in promoting civic progress. "The most important things in this city have happened because of the business community," he says, referring to the revitalization of the downtown shopping district, the rehabilitated neighborhoods that had been sliding into decay, and the prospering sports and cultural centers.

Probably nowhere else have companies done as much as they have in Minneapolis to institutionalize their concept of corporate responsibility.

The process began in the summer of 1976 when business leaders from Minneapolis and St. Paul began a series of meetings with the local Chamber of Commerce to appraise what they perceived as the changing role of corporate enterprise in today's society. The result was the Minnesota Project on Corporate Responsibility, which has the broad aim of involving executives from Minnesota companies in an educational program. The project offers members of the business community the opportunity to discuss specific issues with leaders from government and the academic and professional worlds; these discussions may in turn point to a jointly framed policy, or plan of action, guided by considerations of social responsibility.

In the opinion of John E. Pearson, who heads the project's policy committee, most of the CEOs are sensitive to the newly expanded role that companies are expected to play. "I read about those who are not; they just don't live in the Twin Cities," says Pearson, who is CEO of Northwestern National Life Insurance Company.

Pearson is also convinced that the practice of involving employee committees in decisions touching on corporate giving is growing. He maintains that the day has passed when a CEO decided impulsively or capriciously to channel grants to a favorite charity. "That does not happen—not in Minneapolis, anyway," he says.

In cities with less formally structured programs, the initiative of small groups of chief executives, or even of an individual CEO, has made the difference between success and fail for many ventures. A case in point is Boston's job-training project for the hard-to-employ.

William S. Edgerly, chairman and president of the State Street Bank and Trust Company, says he "got caught up" in the business of finding jobs for the disadvantaged three years ago. Edgerly chaired a forum that brought together a hundred CEOs who were active in promoting employment for those who could not meet the requirements of the marketplace. Today, Edgerly chairs Boston's Private Industry Council, which has as members more than 30 business leaders and representatives of community groups and the public schools. The Council tries not only to generate jobs in the private sector, but also to improve the skills and work habits of the hard-to-employ.

One man who is sure the CEO makes a real difference is Lawrence A. Wien, the New York attorney who has been waging a one-man campaign for increased corporate giving. Wien uses shareholder proposals to push the issue at annual stockholders' meetings. But because he considers the CEO of the firm in question to be "all-important," Wien invites the targeted CEO to lunch—and an exercise in consciousness-raising about the duty of business leaders to get their companies to give generously. Wien is about to end his crusade, saying, "I've done what I set out to do."

Profile of the Corporate Contributions Professional

By Anne Klepper

Corporate contributions jobs are still being created. Klepper reports that compensation in the field depends on title and level of responsibility, time spent on the function, and the sex of the employee.

Until immediately after World War II, there were only a few professional managers of corporate contribution programs. Then things began to change, slowly. As contributions budgets rose and more companies started philanthropic programs, contributions staffs came into being, and expanded. Not until recently, however, was much known about the personnel in this new and still emerging field.

The Conference Board conducted the first com-

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prehensive study of corporate contributions personnel in 1980. Responding to a Fortune 1300 mailing, 435 companies filed 524 profiles of professional staff members.

The profiles suggest that only a few hundred major corporate contributions programs exist in the United States at this time. A program (as distinct from casual, low-budget, or unplanned giving) is likely to have a full-time, appropriately titled professional staff member in charge. He or she is likely to oversee a budget of more than $1 million, carry responsibility for planning and budgeting plus discretionary authority to approve grants, and be employed by a corporation with net annual sales of more than $1 billion.

Only a few hundred major corporate contributions programs exist in the United States at this time.

Titles, Time, and Responsibility

Generally speaking, the 216 staff members with contributions titles worked full-time—that is, more than 51 percent of the time—at the contributions function, while the 307 with corporate titles did not. Two hundred and ninety-five persons spent less than half of their time on contributions; 115 were chief executive officers or vice presidents with final responsibility for the function, although it was a minor part of their work.

These distinctions in titles and in time spent essentially define the professional corporate contributions manager. They separate corporate officers who oversee contributions from managers who plan and execute programs with substantial budgets. They also account for compensation differences; the highest salaries in the field go to corporate officers.

Staff Size and Composition

Most of the responding companies had at least one staff member working on contributions (however, a number of corporations did not answer these questions and probably do not have staff in a formal sense). About a quarter of the programs had four or more staff members.

Professional staff sizes in the direct-giving programs of 233 companies ranged from 1 to 12 members, with 1 the median; nonprofessional staffs ranged from 1 to 6, with 1 the median. In the foundations used by 127 companies, professional staff sizes ranged from 1 to 8 members, with a median of 2. Nonprofessional foundation staff sizes ranged from one to six, with a median of one. When a staff grows, program officers and analysts tend to be added first to the professional staff; secretaries are added to the nonprofessional staff.

As logic indicates, staff size grows with budget size; programs with the smallest budgets are run with minimal staffs. About half the budgets in the $1.1 million to $5 million range have two to three staff members, while a third have four or more members. In the small group of companies with budgets of $5.1 million and more, about half of the direct giving programs and just over three-quarters of the foundation programs have six or more staff members.

Few members of minority groups did contributions work for the reporting companies—16 blacks, 5 Hispanics, 3 Asians, and 2 American Indians; a few were not identified. Of these, 17 are working at the executive level (directors, managers); 10 are staff members (administrators, analysts); and 3 are vice presidents.

Several dozen staff members had other contributions-related responsibilities, such as community or civic affairs (57), support work for the activities of executives (52), and other public affairs duties (50). A smaller number of respondents (fewer than 20) had other responsibilities, such as volunteer programs, educational relations, United Way drives, and so on. A scattering of respondents (fewer than 20) had responsibilities in the corporate secretary's office, or in human resources, financial, legal, administrative, or planning functions.

Only 228 of the 524 respondents spend more than half their time on contributions. These are the full-timers, the contributions professionals. Their number is smaller than many had expected, and it is closely correlated with the number of persons carrying contributions titles. The group is about evenly split by sex (107 men to 115 women), although two-thirds (355) of the total survey respondents are men. Most members of this group—about 78 percent—are concerned with budgets of more than $1 million.

Fifty-eight percent of these professionals are in companies with net sales of $2.5 billion or more; another 18 percent are in companies with sales from $1 billion to $2.4 billion. Most work on both foundation and direct giving programs; 15 worked only for company foundations, and 63 worked in direct giving only. (Most programs in this survey were either direct giving only or a combination of direct giving and a company foundation. Only 45 programs were administered solely through a foundation.)

Characteristics of Professional Staff

Professional contributions staff are a well-educated group; only 85 persons have either a high school education or two years or less of college. All other members have four-year college degrees, and more than half have done some graduate work as well, with 183 earning advanced degrees.

The level of educational attainment for full-time and part-time personnel is quite comparable. More than half of both groups have bachelors' degrees. About one-sixth have master's degrees, and about one-quarter have advanced degrees in business or doctorates or law degrees (31 percent for the part-timers).

Among professionals of comparable, or even identical, educational attainment, the major factor determining higher compensation is whether or not they carry non-contributions responsibilities. Contributions full-timers with law degrees or master of business administration degrees earned less than their part-time colleagues. Salary distinctions were not quite so marked among those with doctorates.

More than 70 percent of the 524 respondents were more than 40 years old, with the largest group between 51 and 60 years old. Another 28 percent were between 41 and 50 years of age. Most had worked for their companies for 10 years or more; about half of the group (224 out of 463) had been with the company for more than 15 years.

Compensation

There appear to be three major factors correlated with compensation: title and level of responsibility, time spent on the function, and the sex of the employee.

Chief executive officers and corporate vice presidents, who are really being compensated for their non-contributions responsibilities, receive the highest salaries. They also spend only a small portion of their time on contributions work.

There are marked differences in compensation by the sex of the staff members, among both full-time and part-time employees. More than three-quarters of the women earn $30,000 or less a year, while nearly three-quarters of the men earn $41,000 a year or more—and more than half of the men earn more than $51,000. No woman in this study earned more than $50,000.

There appear to be three major factors correlated with compensation: title and level of responsibility, time spent on the function, and the sex of the employee.

There is a heavy concentration of men in the higher levels of both corporate and contributions titles. More than 70 percent of the men carried corporate titles. Men held 11 chief executive officerships and 100 vice presidencies; women held only 4 vice presidencies. Men are most prominently found at the top foundation levels (18 presidents and vice presidents, compared to 4 women in those jobs) and are at the upper end among the direct-giving titles as well. Fewer than one third of the men had contributions titles, whereas two-thirds of the women did.

Among full-time professional staff members, 60 percent of the men and all of the women earn $50,000 or less. Only one-third of the full-time contributions staff make $41,000 or more. More than half of the women (57 percent) earn $25,000 or less. They are the foundation and contributions staff members—the administrative assistants, analysts, and so forth.

Although job titles, level of responsibility, and time spent on the contributions function are major factors in explaining men's higher compensation, there are other determinants as well. Among the full-timers, men work with larger contributions budgets than women do; 35 percent of the men, but only 18 percent of the women, have budgets of more than $5 million. Men have a higher level of educational attainment, and they are, as a group, older; three-quarters of the men are more than 40 years old, compared to half the women.

Moreover, men have been employed by their present companies longer; 55 percent have worked for the same firm for more than 20 years, while half of the women have been with their firms for fewer than 10 years. And men have more years of work experience, with present and previous employers, than women, who are newer entrants into the labor force. The men have also come into their contributions positions from higher positions than the women have; 85 percent of the men came from staff and management positions, compared to 64 percent of the women. Twenty-seven women came from secretarial or clerical jobs; only one man shared that background.

Career Path

Contributions jobs are still being created; a full third of respondents were the first to hold their positions. What happened to the predecessors of the other two-thirds? About 40 percent retired. The second largest group (18 percent) made a lateral move within the company; 15 percent received promotions. The rest left the company altogether.

Most of those working in contributions have business backgrounds. Of 421 persons, 396 had previous business experience, and only 25 (6 percent) came from outside the corporate world: 5 from government, 11 from academe, and 9 from nonprofit organizations. Most of them now carry contributions titles. A small number (43) have moved from the secretarial or clerical category into contributions jobs, usually at the lowest staff levels. Most are now working on either contributions or foundation staffs; 17 are working on corporate staffs. The widely held view that promotion comes from within is amply substantiated by the evidence.

The increasing number of women entering the field (suggested by the relatively high number of full-time women, and by the large numbers of women with few years of company service) could be an unfavorable sign. There is a phenomenon known as "job turning" in which a field becomes predominantly female. "Job turning" is characterized by "the three LPs"—lower pay, lower power, and lower prestige.

On the positive side, the increase in the number of women in contributions could be seen as an opportunity. Some of them may climb to the top of the contributions profession, and others may be able to carve a path into the mainstream corporate structure—if they have the requisite management capability, education, training, direction, and drive.

Self-studies in Corporate Philanthropy

By Mary J. Hall

Self-study of a corporate giving program provides a means for reviewing the past, exploring future options, and reaching consensus on change. Hall reports that such studies need not require much time, staff, or money to be effective.

The pressures on the philanthropic resources of U.S. corporations in today's economic environment have underscored the need for comprehensive reappraisal of many contributions programs.

Because of the national publicity given to elaborate self-studies of major donors such as Armco, the International Paper Company Foundation, and the Weyerhaeuser Company Foundation, it is often assumed that such efforts require either a large staff or a stable of outside consultants. In fact, effective models for self-study can be found in every size and shape.

A review of efforts in both large and small firms reveals some common elements in the reasons given for such institutional self-studies, and suggests some useful approaches.

Basis for Self-studies

Kathryn Troy of the Conference Board reported in her 1980 book, *Managing Corporate Contributions*, that firms typically focus their self-studies on two questions:

- "How effective has the corporation been in achieving the objectives of its contributions program; what adjustments or improvements might be made?
- Can the current contributions plan continue to meet the changing needs of the corporation and its constituencies; what adjustments or improvements are necessary?"

A survey of 14 firms in early 1982 showed that rationales for more recent self-studies were similar. "Giving away money wisely is as hard as making it," said Stephen Chaudet, director of public affairs for Lockheed Corporation of Burbank, California. "With the demand increasing for our money, we have the responsibility to ask if we're putting our dollars where they should be put and are doing things as efficiently as we can."

"It is more important now than ever before to do such self-studies," insists Liz Sode, executive director of Esmark Inc. Foundation of Chicago. "No one has the time or money to be responsive to all of the requests coming in, so we need a clear idea of our goals and focus." She adds that the rapidity of social change can quickly make giving programs outmoded unless they are periodically reviewed.

"Our purpose was to make our contributions program relevant to today's needs in our communities," reported William F. Symes, president of Monsanto Fund. Burlington Northern Foundation reviewed its program for the same reason. "We wanted to be able to administer the resources of our foundation so we could effectively answer the issues of the 1980s," said Donald K. North, president.

In addition to issues of relevance, efficiency, and effectiveness, firms cite a number of other reasons for performing self-studies. Increasing support for giving programs among senior managers by achieving consensus on a philosophy of giving was one reason. Other firms wanted to introduce changes desired by new management, or create a climate permitting more innovative grantmaking. In some cases the self-study helped secure greater understanding of the functions of a contributions program, or was undertaken to develop a rationale for increased budgets or for the initiation of a corporate foundation.

In addition to issues of relevance, efficiency, and effectiveness, firms cite a number of other reasons for performing self-studies. Increasing support for giving programs among senior managers . . . was one reason.

Some Useful Approaches

Self-studies do not necessarily require much time, staff, or capital. The Burlington Northern Foundation evaluation was completed by its one staff member, who quietly gathered data and prepared recommendations that were

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Key Activities in a Self-study

The first step in a self-study of corporate giving is to review the past. This may be done as follows:

- Prepare an analytical description of the pattern of past grantmaking, such as changes in program allocations or grant recipients.
- Compare this pattern with those of other donors, especially those in the same industry.
- Evaluate the effectiveness of programs that receive large sums of money. (AT&T used a local university's graduate students for this purpose.)
- Secure a critical review of administrative policies and procedures. (To do this, Lockheed involved staff of a local regional donors' forum. Weyerhaeuser asked a sample of past grant recipients and unsuccessful applicants to furnish anonymous evaluations.)
- Interview trustees and senior managers to identify perceived strengths and weaknesses.

The second stage in a good self-study involves exploring options for the future. Staff might:

- Visit other corporate giving programs and secure copies of other self-study reports.
- Review the literature on corporate philanthropy. (An option used successfully by the International Paper Company Foundation is to commission a review of the literature in a particular program field to pinpoint needs for new grantmaking activity.)
- Arrange opportunities for senior managers to discuss emerging issues in corporate philanthropy and to be challenged by program experts.
- Hold discussions with managers of other corporate divisions to investigate how the philanthropic program could support the company's business strategy.
- Ask for suggestions from employees and the community. (Burlington Northern Foundation organized nearly a dozen community hearings in one key state.)
- Develop analytical indicators of the quality of life and the level of corporate interest in key communities. (Chevron U.S.A. Inc. found that selected indicators, such as the percentage of Chevron workers in a local workforce, were useful in defining a need for new priorities.)

The major task of the third stage of a self-study is to achieve a consensus on change. In this effort, it is important to:

- Schedule a meeting with decisionmakers to review the study's probable findings informally, before the final report is written. This permits early feedback.
- Keep the written report describing the study's findings, recommendations, and proposals as short as possible. Supplement this with a concise oral presentation on issues that must be decided.
- Be realistic about the time needed to achieve final agreement on major proposals. Many firms recommend that a retreat for decisionmakers be scheduled to discuss and decide on self-study recommendations.

Key Lessons: Conducting a Self-study

The experiences of corporations that have conducted self-studies of their philanthropic programs suggest that the following points are essential to the success of the study:

- Establish a consensus among senior officials that a self-study is needed. Involve them in choosing the issues to be addressed in the reappraisal.
- Select staff who can make the study a top priority. Find talented and energetic people who have enough authority to be influential.
- Develop a specific process and schedule for the study. Specify when various audiences will be asked for their comments.
- Be certain that consultants are experienced and sensitive to corporate norms. Define clear performance requirements and budgetary constraints, and monitor consultants' work closely.
- Give senior corporate officials an early opportunity to meet the study staff and consultants to establish personal familiarity and confidence.
- Issue periodic status reports during the self-study process, and make decisions widely known once they are reached.
- Develop a realistic plan for the transition from old priorities to new ones. This may require a period of phase-out awards in order to avoid abruptly ending support to current grantees.
- Expect to fine-tune policies for a year or two after the study is completed. Prepare managers for the probability that some issues will need further clarification.
- Agree on when the next self-study should be done while the topic is still fresh in everyone's mind. Do not wait until there is a crisis before raising the issue again.

This information is based on material included in Kathryn Troy, Managing Corporate Contributions *(New York: The Conference Board, 1980), p. 95.*

Although formats for self-studies vary widely, three phases are typically present in the approaches reported by most corporations: an examination of the giving program's past performance, an exploration of options for the future, and the achievement of consensus on desired changes.

eventually approved at a single meeting by the foundation's trustees. Another low-cost review is under way at Cabot Corporation in Boston. Similar efforts have just been completed by Boise Cascade Corporation in Idaho and Pacific Northwest Bell Telephone Company in Washington.

Although formats for self-studies vary widely, three phases are typically present in the approaches reported by most corporations: an examination of the giving program's past performance, an exploration of options for the future, and the achievement of consensus on desired changes. (Some useful procedures and lessons learned from experience are detailed in the boxes accompanying this article.)

Those who are just beginning to think about their first formal, comprehensive reappraisal may be comforted to know that the contributions personnel in a number of firms are in their second or third generation of self-studies with satisfying results. These include corporations such as General Electric Company, AT&T, Exxon Corporation, Chevron U.S.A. Inc., and Monsanto Company.

Alan Cooper, corporate director of corporate responsibility for Armco, points out that these firms' experience has created a state-of-the-art in methods for evaluating the effectiveness of corporate philanthropy. For those who agree with Donald Schroeter, executive director of Amoco Foundation, that corporate philanthropy is "in the midst of one of the greatest periods of change in our country's recent history," the importance of these tools for evaluation and of the body of literature cannot be overemphasized.

The author gratefully acknowledges the assistance of Ann Marie Nader.

Landmark Self-studies

Armco's 5-month study, completed in 1980, addressed some 15 issues ranging from a philosopy of giving to proposed staffing requirements. Visits were made to 22 companies and a number of major national organizations. The study was conducted by three corporate employees, with other direct costs totaling about $20,000. The Armco self-study report is an invaluable beginning point for others. Write to: Alan Cooper, corporate director, corporate responsibility, Armco Foundation, 703 Curtis Street, Middletown, Ohio 45042.

The International Paper Company Foundation completed a sophisticated and extensive reassessment of its school program in 1979. Expert outside consultants did most of the work at a cost of more than $100,000. This effort stands as one of the early landmarks in the self-study literature. Write to: Sandra L. Kuntz, vice president, International Paper Company Foundation, 77 West 45th Street, New York, NY 10036.

The Weyerhaeuser Company Foundation completed a comprehensive review in 1979. The process took 18 months at a direct cost of less than $30,000 because of extensive use of company employees serving as volunteers to the Foundation. The Weyerhaeuser process has been described in detail by Jack Shakely, "Weyerhaeuser Returns To Its Roots," *Foundation News* (January/February 1980), pp. 25-30; and in "Revamping Corporate Contributions—The Weyerhaeuser Experience," *Business, Economics & Social Trends* (Philadelphia: Human Resources Network) Report 680-68, July 25, 1980. Finally, a discussion of corporate self-studies and two models for conducting reappraisals are described in *Managing Corporate Contributions* by Kathryn Troy (New York: The Conference Board, 1980), pp. 87-95.

Goals and Objectives In a Corporate Philanthropy Program

By Clifford L. Alexander Jr. and Adele Alexander

The Alexanders urge companies to analyze special resources, including money, in-kind services, products, employee volunteers, and personal and corporate influence, and to assess the needs of the community before setting philanthropic goals and objectives.

“To give away money is an easy matter and in any man's power. But to decide to whom to give and how much and when and for what purpose and how, is neither in every man's power—nor any easy matter.”

Aristotle's words of thousands of years ago are readily applicable to questions raised by and for American corporations in the 1980s. Indeed, the “business” of giving is still no easy matter. How to go about it—how to set goals, objectives, and priorities—and establish the mechanisms by which a corporation could reasonably expect these goals to be achieved is the subject of this piece.

Once a corporation has decided that it will embark on some kind of giving program, several issues must be addressed immediately if there is to be an effective program. If the relevant issues are thoroughly and assiduously addressed at the outset, the task becomes manageable. If the company is a novice in this effort a great deal of advance planning will be necessary.

The remarkable thing about reading Aristotle is that even in the totally different world of the 20th century the questions he raises are so relevant. The truly great philosophers constantly remind us that they have seen and raised universal questions. Now, as then, one must decide (1) to whom to give, (2) how much to give, (3) when to give it, and (4) for what purpose.

Although traditional wisdom suggests that one should first decide whom to help, preliminary planning is needed even before deciding “who.” The thoroughness of these early steps can ensure the ultimate success (or lack thereof) of the program.

One early step should be to decide who will do the actual work—who will put in the time and effort and make the judgments to establish the goals and objectives. Chief executive officers need to choose energetic, imaginative, broad-gauged managers to provide the impetus and focus needed to get the corporation's program off to a good start. The person or persons selected for this important task should be capable of making independent decisions, but they should also have direct and prompt access to the chief executive officer and the board of directors or trustees. They should also be people who will take advantage of those opportunities.

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An alternative might be bringing someone in from the outside. Weyerhaeuser Company has brought to its foundation staff a professional grantmaker hired specifically to help the company reexamine philanthropic priorities and programs through self-study and evaluation.

In any case, the person selected as planning coordinator must, in a general sense, decide who is to benefit from the corporation's philanthropy. The universe of those in need, and those who are now approaching the corporate world for support, is immense: educational institutions, health and welfare organizations, arts and cultural interests, multi-faceted neighborhood centers, and even certain types of quasi-governmental institutions. These organizations should all be examined and evaluated in terms of whom they serve, the programs they provide, the efficiency of delivery, and the quality of their services.

This should not be an attempt to make final judg-

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ments on giving, but rather a preliminary survey to help establish guidelines, goals, and objectives. This first survey should be broad and general but not superficial. The importance of this work underlines the necessity of choosing a wise, effective manager with great vision to undertake the assignment. If he or she needs help, from inside or outside the corporation, to make such a survey, the manager should have the good sense and resources to seek such help.

Once preliminary evaluations have been made, a clearer picture begins to emerge of the problems that exist and the organizations that address those needs. One can start to focus on those who might benefit from the corporation's philanthropy. If the corporation has a national outlook, the developing picture will be broad in scope. If the company is regional or local, a clearer vision will start to develop concerning the needs of the specific communities in which it does business. The information and impressions that are assembled at this point should have yet another value to the company: they should help the corporation toward a better understanding of its community and provide information that is applicable to the overall for-profit operations, enabling these operations to function in a more productive manner.

With the overall needs as great and diversified as they are, corporations should consider at least a focus for their giving, for example, areas in which they have expertise and competence.

What special resources does a specific company have to offer those in need? One must understand and accept that philanthropy is not the primary business of any corporation. There is a fundamental financial responsibility to employees, shareholders, and customers. A company should not think of itself as a substitute for those governmental services suffering from budget cuts. However, enlightened self-interest tells the concerned corporation that for the good of its own business, it should be as helpful as possible in its own community in keeping with its own interests. A healthy community will be a more positive environment in which to do business; plus, the same employees, shareholders, and customers mentioned above will feel better about the company and view it more positively if (consistent with available resources and sound business practices) it has sought to make a positive contribution to its community.

What are corporate resources, and how can one realistically evaluate their worth? Resources of a corporate giving program can include money, in-kind services, products and services produced, employees' volunteer efforts, and personal and corporate contacts and influence.

With the overall needs as great and diversified as they are, corporations should consider at least a focus for their giving, for example, areas in which they have expertise and competence. They may seek areas where public needs intersect with corporate interests. The Robert Wood Johnson Foundation limits its giving to health-related causes. General Electric Company, which perceives a future need for well-trained engineers, gives extensively to scholarship programs in this field, particularly with grants designed to attract minorities into this profession.

Syntex Corporation's philanthropic interests focus on health care in general, and women's causes, population control, and family planning programs in particular. It has merged its corporate and philanthropic interests in large donations of oral contraceptives to a major family planning organization.

It is essential to assess, in practical and realistic terms, the totality of resources available to the corporation, and make decisions about a level or area of philanthropy consistent with the overall situation of the corporation. Diversion of any significant corporate resource away from the principal business activity should never be taken without good reason and justification.

Once the corporation has a good sense of the needs of the community, large or small, and has assessed the resources available, it must start formulating realistic plans. One assumes that most corporations engage in long-range or strategic planning in most of their primary activities. The same disciplined regimen must also apply to corporate philanthropy.

Requests for corporate giving have escalated dramatically in recent months. The Hewlett Foundation receives more than 200 requests for assistance per day. RCA Corporation reports a 50 percent increase in requests. On the other side of the picture, the National Symphony, of Washington, D.C., believes that it must appeal to 10 times as many corporations to keep up with the increased competition and inflation.

The chief executive officer should make it clear to the managers in charge of planning and executing the corporate philanthropy program that consultation all along the way is essential.

When one considers this unprecedented deluge, one must expect to do extensive long-term planning to establish goals for giving, and certain priorities in terms of the kinds of human needs that should be met. If the work is done thoroughly, logically, and objectively, the corporation is in a better position to respond fairly and more quickly to requests. Even when the answer is no, as so often it must be, it will be better received when the objectives are clearly defined and forthrightly presented to those who request assistance.

As goals are established, be expansive, just as one would be in for-profit activities. Realistic assumptions about the enterprise are, of course, essential to planning, but undue pessimism is probably worse than being overly optimistic.

As the corporate planner undertakes an analytical look at the needs of the community, he or she might want to consider activities that can be undertaken in conjunction with other corporations or foundations in the private sector. Accept reasonable limitations, and do not think that one corporation can or should be expected to do everything itself. Because every corporation must place realistic limits on giving, it may not be able to meet the total needs of a particularly worthwhile project alone. By joining hands with others, the corporation might be able to fund an important operation at the level it deserves.

While everyone involved must understand and encourage sound financial management, underfinancing and lack of resources can be just as fatal to an otherwise worthwhile project in the nonprofit field as it is in the corporate world. A corporation can and should be encouraged to use its contacts to convince others to join in. A corporation that works with partners in the private sector will see positive results in the long run. Ample credit should come to all who give their support to important and innovative projects.

The chief executive officer should make it clear to the managers in charge of planning and executing the corporate philanthropy program that consultation all along the way is essential. These consultations may be with the appropriate executive officers, with a committee of the board of directors, or with certain respected customers or employees.

One should also consider the advantages of including outside consultants. Excellent and innovative suggestions and sound practical advice may best come from unbiased outsiders. A great deal of information and guidance is available from experts, and in some cases it can be more financially efficient to acquire professional planning assistance in this manner. Many other corporations and professionals have already studied the same problems and come up with worthwhile ideas and suggestions.

As with all other corporate efforts, the development of a program of corporate philanthropy requires good planning, management, coordination, and hard work.

The example of a major national retail chain that assigned a top manager to develop its program of corporate philanthropy comes to mind. A plan was developed to commit 2 percent of profits to this foundation. Professional consultants were then brought in to analyze and pinpoint areas of need in the major urban areas that they served, and to come up with structural and operating guidelines for the foundation.

Any corporation embarking on a new program of corporate philanthropy might be well advised to benefit from the experience of others. A corporate executive would not make major expenditures or investments in other areas of corporate endeavor without first learning whatever it is possible to learn from experts. Those same procedures are equally valid when it comes to corporate giving. The process of consultation will inevitably enhance the program as it emerges. It will also go a long way toward making the program one that is understood and accepted by everyone within the corporate family.

From the outset, as goals and objectives are set, one should think clearly about dissemination of information concerning the activities and projects. If a corporation is providing constructive and helpful assistance to people in the community, others should certainly know about it. Publication of these efforts (when, how, and where) should be decided by persons in the promotional side of the corporation who have special expertise in that area. By including these people in the early planning stages, their assistance will be most substantive and helpful. As publicity of any kind is developed, it should be remembered that presenting the picture to the internal audience within the corporate family can be just as important as presenting it to the world at large.

As with any other corporate endeavor, goals for giving should reflect both objectivity and thoughtfulness. Programs and guidelines cannot be made up as each potential recipient approaches, but standards should be flexible enough to meet emergencies. For example, if a natural disaster strikes locally, help through sharing of company resources may do more for a company's standing in the community than a lifetime of paid advertising. Corporations can and should be responsive to internal interests, but simply reacting to the special projects and concerns of a few executives is not in the best interest of the corporation. When a corporation systematically and logically decides where to help, the program will produce the most good for the company, and most importantly, for those who so desperately need help and services.

As with all other corporate efforts, the development of a program of corporate philanthropy requires good planning, management, coordination, and hard work. Ultimately, the rewards of such efforts are well worthwhile.

Policies and Procedures for A Corporate Philanthropy Program

By F. Whitney Jones

A contributions manual can be the heart and soul of an effective corporate giving program, says Jones. A well-written manual, based on clearly defined policies and procedures, encourages a professional approach to corporate philanthropy.

Corporate giving officers today face far more complex challenges than they did even 10 years ago. Not the least of these is a growing interest in the relationship of corporate giving to the corporation's long-range plan. The policies of many corporate giving programs were strikingly similar 10 years ago; current programs more accurately reflect the marketing and planning functions that are unique to each corporation.

Before developing or revising its corporate giving policies, a company usually completes several related tasks. These often include developing a mission statement that parallels the corporate mission statement, an institutional self-study that reviews problems and concerns relevant to corporate giving, and a list of goals and strategies that reflect the mission statement and perhaps some of the issues raised by the self-study.

All this can be time-consuming, as testified by the experience of John Bacon, assistant secretary and director of corporate giving for R.J. Reynolds Industries Inc. Bacon spent four years on an analysis and revision of the Reynolds program. As part of his effort, Bacon conducted extensive interviews with some 40 key managers in the Reynolds companies.

"The interviews were deliberately open-ended," says Bacon. "I didn't ask what they thought about corporate giving. I asked them what obstructions they needed to overcome in getting their jobs done." This technique revealed a variety of problems, many of which were then considered in developing the corporate giving strategies. For example, complaints about government over-regulation of business and lack of understanding of how the system works led to programs that support citizenship involvement in public schools.

In defining the mission of the corporate giving program, Bacon considered that R.J. Reynolds Industries is one of the larger worldwide sellers of packaged products. Because the corporation's efforts depend on a sure supply of raw material, the mission of its giving program includes the desire to help improve the economic and social climate and community services for people in rural communities that serve the company's needs. The fruits of Bacon's efforts are a new contributions manual and revised guidelines for those seeking grants.

A contributions manual is the heart and soul of an effective corporate giving program. It will be used by corporate giving staff, by members of the contributions committee, and by plant managers and other people in the field who are responsible for giving. An abbreviated version of the contributions manual, containing guidelines for grantseekers, is usually made available to the public.

Most contributions manuals contain information on the giving policies of the corporation—what kinds of causes it will give to, what kinds it won't—as well as a description of what grantseekers should do to apply and of how grants are made and evaluated.

Most contributions manuals contain information on the giving policies of the corporation—what kinds of causes it will give to, what kinds it won't—as well as a description of what grantseekers should do to apply and of how grants are made and evaluated.

Eligibility Requirements

In choosing which kinds of organizations to support, a corporation must consider the objectives of its giving program. It may also wish to consider the organizations that it has supported in the past (former grant recipients are sometimes unintentionally excluded from revised

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programs). Organizations that have a measurable effect on the communities in which a company operates, or on the markets in which its products are sold, are also often included.

Many corporations are specific about organizations that are ineligible for support. Very often these include political and religious groups, veterans' and labor organizations, public schools, and individuals. Certain kinds of gifts are also often specified as ineligible, including multi-year pledges, gifts to endowments, the purchase of tickets to special events, and the purchase of advertising space in programs.

Most corporate giving programs establish geographic priorities. Programs in the headquarters community are often considered, as are programs in regions where the company operates and programs of national scope. Many corporations divide their giving among four broad categories: health and welfare, education, civic activities, and culture and the arts. Most also budget their donations by category, an annual process that offers an opportunity to review the effectiveness of the corporation's giving program.

Most corporate giving programs establish geographic priorities. Programs in the headquarters community are often considered, as are programs in regions where the company operates and programs of national scope.

In budgeting donations by category, some companies develop special guidelines for each. For example, the St. Paul Companies Inc. has prepared guidelines of two or three pages for each of its four priority areas: education, community development, health, and the humanities. The guidelines, revised annually, include the budget allocation for the area, the company's general philosophy regarding the area, a statement of objectives for the area, and a statement of the guidelines for the area.

Many corporations define special areas of interest within the categories of support, allowing a company to concentrate its support and to maximize the return from that support. In considering Reynolds Industries' support of the field of health and welfare, for example, Bacon remembers, "We realized that any amount of money we gave to health care delivery systems would be a drop in the bucket compared to the many billions spent annually in the field. We decided to concentrate our support in one area of research. That way, we could see the impact of our support." Defining an area of special interest can give a corporate giving program more impact from its gifts.

The second question covered by the section devoted to eligibility requirements of grantees is how to apply for support. Most corporate giving programs require that the applicant submit a brief proposal (very often in the form of a letter) accompanied by supporting information. Supplementary information often means the organization's budget for the previous fiscal year (an audited statement is often suggested), a list of the board of directors, and a copy of the Internal Revenue Service's letter of nonprofit determination. Such information can be requested in a very brief form; for example, the Corning Glass Works Foundation has a one-page statement of general policy and procedures for grant requests.

Many corporations have designed a simple form to be filled out by the corporate officer who receives the request. The form asks for standard information about the grantseeker, including whether the organization has received company support in the past, and if so, whether the grant was successful. In deciding what information to ask for, the giving officer must carefully weigh two considerations: who will collect the information, and to what use will it be put?

Reviewing Grant Applications

In reviewing a grant application, many corporations establish criteria for a successful applicant. The questions most frequently asked are the following:

- What is the quality of the organization's management?
- Does the project meet a clear social need in the community?
- Is the project innovative?
- Are the goals of the project clear and can success be measured?
- Is the project likely to succeed?
- What is the financial strength of the institution?
- Are other sources of funds available?
- Does the project (and the organization) enhance the image of the corporation in the community?
- Do company employees volunteer time to the organization?
- Has the corporation supported the organization before? If so, how did prior funding succeed?

Many of these are variations of the overriding question asked by most corporations of a potential grant recipient: How effective is the organization in delivering its services?

Some corporations make use of a one-page evaluation form to rate applicants in terms of these questions. The First National Bank of Minneapolis Foundation uses a form that divides these questions into three categories: community priority, project priority, and funding priority. Each answer is given a numerical value from 0 to 10; the total possible for each category is 35. Such evaluation forms make the grant application process more objective.

Most corporations rely heavily on the data provided by the applicant in evaluating a proposal. Corporate giving programs with more than one staff member very often follow selected proposals by in-depth discussions with representatives of the applicant organization. For large, multi-year pledge requests, corporations sometimes turn to consultants who are familiar with evaluating nonprofit organizations.

Management Considerations

The section on program management in most manuals varies widely according to the make-up of the corporation. There are usually three major areas of consideration, however—planning, budget, and administration.

The planning section of a contributions manual often contains detailed instructions for the development of giving plans by plant managers and people in the field. It also contains information on the use of planning tools, for example, a community needs assessment survey.

The budget section often distinguishes between committed funds (multi-year pledges and funds allocated for groups that the corporation regularly supports) and uncommitted funds, and it encourages the plant manager or gifts officer to classify grants by category.

The budget process, with its review of past spending and its forecast of the coming year's spending, allows the corporate gifts officer and the contributions committee to review corporate gifts by category and to measure, at least in terms of funds committed, the effectiveness of the program. Such a review is as important to statewide programs, such as that of the St. Paul Companies, as it is to national programs, such as those of the Borden Foundation Inc. and the Sears-Roebuck Foundation.

At a time when federal cutbacks have increased demands on corporate giving, it is especially important that corporate philanthropy respond to community needs with a fair, consistent, and well-planned program of support.

The administration of a corporate giving program varies according to the size and type of business. Most corporate giving programs are administered by an employee whose major (but not necessarily only) responsibility is the review and processing of grant requests. The usual chain of command runs from the mid-level manager through the corporate gifts officer to the contributions committee. One irony is worth noting: most manuals provide detailed instructions for the mid-level managers who want to process a small request from the field, but major gifts are often made by top managers with a minimum of paperwork.

Establishing policies and procedures for a corporate giving program is obviously a lengthy process. What, then, are the benefits?

First, of course, is the fact that written policies and procedures ensure a fair, consistent giving program, one relatively immune to sudden personnel changes. Second, a well-planned program allows a corporation greater control of its gifts. Effective planning permits the measurement of the success of a program, especially in relation to the accomplishment of specific goals and objectives; it also allows more accurate budgeting. Finally, good philanthropic planning means a corporation can apply the principles of long-range planning that it uses for its profitmaking decisions. Reynolds Industries, for example, has adopted a strategic plan for its corporate giving program.

Ultimately, established policies and procedures and a well-written contributions manual encourage a professional approach to corporate philanthropy. At a time when federal cutbacks have increased demands on corporate giving, it is especially important that corporate philanthropy respond to community needs with a fair, consistent, and well-planned program of support.

Sources

Information on policies and procedures can be obtained from many corporations. A selection of policies and procedures statements can be found in *A Sampling of Corporate Statements on Social Responsibility, Contributions Policies and Procedures*, published by the Council for Financial Aid to Education (680 Fifth Avenue, New York, New York 10019). Another valuable reference tool is *Managing Corporate Contributions*, Report 792 of the Conference Board Inc. (845 Third Avenue, New York, New York 10022).

The Uses of New Technology in Grantmaking

By James N. Alexander

Alexander concludes that it is time to take the drudgery out of grantmaking. He describes various kinds of computer systems available, including word processors, and addresses the desirability of buying a new system for a contributions program or using the company's computer.

Advocates of professionalism in philanthropy have been preaching for some time that contributions programs should be accorded the same respect, staffing ratios, salary levels, and working tools that are given to other corporate departments. For too long, however, as their colleagues introduced new technology to their departments, contributions program officers sat by, watching the paper piles rise. Some took bold action—they bought photocopiers and automatic typewriters—but few were willing to introduce computer science to the philanthropic art.

Now that equipment costs have fallen and appropriate software and systems are widely available, it is time to take the drudgery out of grantmaking. Proper application of computers can free staff for the more important work of making good grant decisions and evaluating them, analyzing trends and responding to them, and communicating the contributions program to the public. However, converting to a computerized office system is not painless; it requires self-awareness, technical skill, patience, and a willingness to invest both money and time in purchasing and mastering the equipment.

It is most important to understand what should be entered in the new system and how it is to be retrieved, used, and returned. If immediate and long-term needs are not thought through at the earliest stage, the system as finally installed will be less useful than it could have been. Needs should be defined at the outset; for example, if mailing labels are to be produced, the system must be able to capture address and ZIP code information and display and print it in a usable format. If the system is to be used in the preparation of an annual report, the system must be able to accommodate at least a brief statement on the purpose of each grant. If the equipment is to be used to prepare statistical reports, it must be sophisticated enough to accept and manipulate both historical and current data.

Proper application of computers can free staff for the more important work of making good grant decisions and evaluating them, analyzing trends and responding to them, and communicating the contributions program to the public.

Developing and installing a computer system to help in many contributions program processes and needs can be done. At Atlantic Richfield Company, the contributions staff have been using computers since 1977. The staff understood what their needs were and what computers can do; they have built a system that tracks all incoming proposals, provides weekly status reports, and has eliminated the need for separate word processing equipment. Atlantic Richfield's integrated system can produce form letters, acknowledge employee matching gifts, and prepare checks to grant recipients; it also helps balance the books with cash flow reports and cash reconciliation statements.

Converting the contents of file cabinets to an electronic data base requires forethought, and that forethought can result in a significant ancillary benefit—self-awareness. Understanding what a corporate contributions program has been doing and where the new technology can take it can be both painful and illuminating; that the

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tedious work of grantmaking will be reduced makes the conversion endurable. The elimination of many clerical and bookkeeping tasks permits more freedom to consider the proposals themselves.

The first step is to decide which records should be electronically stored and which can safely be jettisoned. Although paper may not be needed in the electronic office of the future, most programs will continue to collect and rely on some written documents in the near term. Yes, the grantee's current annual report might be needed, but no, it should not be added to the computer file. This conversion process should be viewed as a hybrid, combining traditional and electronic filing systems.

At Continental Bank Foundation, the staff inherited 90 feet of paper files—in almost alphabetical order. Records dated back to the mid-1920s. Complete? Quite. Useful? Hardly! Examining each file, discarding irrelevant information, microfilming key documents, and organizing the remaining paper files in such a way as to permit temporary help to code and process information into a new computer system took nearly a year. In the end, however, staff had quick access to both current information and cumulative data. The preparation of reports and the quarterly checking of actual grants against strategic planning objectives were both made easier.

Although some of this work could have been done manually, Continental's computer system permitted a speed, accuracy, and efficiency that facilitated planning, reduced the need for more personnel, and permitted staff to examine more proposals more closely. When linked to an electronic mail system and a remote word-processing center, the system very rapidly met the productivity and pay-back objectives that had been set for it.

Once records have been assessed and future needs estimated, it is time to look for a system. The decision of whether to purchase a system or to use a computer already in place, if there is one, is critical. For a corporate contributions program, the company's central computer, usually a large one, can offer adequate storage, cheap maintenance, and readily available help in training and troubleshooting. However, such a "mainframe" unit often has been purchased to calculate payroll, store personnel records, or perform other tasks unrelated to the needs of a contributions program. If this system can be modified to suit the program's needs, so much the better; if it cannot, then other types of equipment—small computers or sophisticated word processors—should be considered. A good small computer system can be purchased for about $10,000.

Word processors have served many contributions programs well, and are the first kind of electronic equipment acquired by most smaller giving programs.

Word processors have served many contributions programs well, and are the first kind of electronic equipment acquired by most smaller giving programs. However, word processing is rapidly becoming less an independent technology and more a function of the comprehensive and sophisticated computer systems now available. To be sure, many word processor vendors offer features useful to contributions programs, in addition to the flawless preparation of correspondence; but as their storage capacity, data manipulation functions, and communications networks expand, these word processors become almost indistinguishable from small computer systems. Thus, in the longer view, it is more important to focus on computer equipment—both hardware and software.

Purchasing a small computer system is much like purchasing a stereo music system. Some computer manufacturers offer "turnkey" systems intended to provide hardware and software tailored to the needs of the philanthropic community. For many users such systems are ideal. However, for other users, quality, performance, or flexibility may be sacrificed by choosing such a prepackaged system, because a single manufacturer may not offer a system with adequate software, printer speed or quality, storage capacity, or retrieval functions best suited to a particular contributions program's needs.

It is therefore essential to shop for and test various components to be sure that the elements will function compatibly and will meet current and projected program needs. For some, bringing in independent consultants with experience in program design and systems hardware is the best way to deal with the many choices encountered at this stage.

The hardware of a small office computer system typically consists of the central processing unit, the disk drive or drives, video screen and keyboard, and a printer. Records are commonly stored on magnetic disks, which are available in many varieties—floppy or firm, single- or double-density, in a range of sizes. Each type of disk fits a particular type of disk drive. Of course, as the amount of storage space on each disk and the speed of information retrieval increase, so does the price.

Software must also be considered. Software comprises the basic operating instructions for the computer, written in a language intelligible only to experts and usually supplied by the manufacturer; packages of instructions, available from the manufacturer or from specialized firms, that direct the computer to perform certain tasks; and programs, written in languages such as COBOL, FORTRAN, or BASIC, that direct the machine to perform a particular task or tasks. For most office applications, programming packages that are easily used by staff without computing experience are available and efficient.

If suitable software packages cannot be purchased, a consultant can be hired to write the necessary software. Such an expert can be found by referral through professional and trade associations, or by asking the manufacturer's sales representative. Once such a technician is found, the program's needs and objectives must be painstakingly explained to ensure that the software will respond to current and projected information needs. Details cannot be left to chance. For example, domestic addresses are shorter than those used to send mail to other countries; if the contributions program sends correspondence both here and abroad, space must be left in all entries for the longest possible address. If the programmer is not advised of this, the work performed during this critical phase will be unwieldy and unsatisfactory, if not useless.

Improvements in hardware and software seem to become available almost weekly. Those contemplating conversion should consider systems available now, not wait for the new improved models promised by manufacturers. This technology is bound to change. Compatibility between new models of computer systems and their precursors and between the equipment of competing manufacturers is improving; the old problem of "vendor lock"—being forever wedded to one supplier because of incompatibility between product lines—is decreasing, eliminating this once popular reason for procrastination.

After a system is selected it must be installed; depending on its complexity and the number of terminals, printers, and so on, this can add another level of planning and expense. Finally, contributions staff must educate themselves in the use of the system, and this training takes time and patience.

Electronic storage, retrieval, and manipulation of records is now within the economic reach of most giving programs that can benefit from it—and the technology is here to stay. It is better to have something to help with exponentially increasing paperwork than to have nothing but manual systems and their guaranteed tedium. Grantmakers with medium-sized to large programs have found significant benefits through the use of computers, regardless of the average size of their grants or the focus of their contributions program. You needn't be the biggest grantmaker in the community to know the advantages of this technology.

Public Relations Policy In Corporate Philanthropy

By Thomas O. McCarthy

As the public increasingly expects the business community to engage in philanthropy, it also desires to be informed about such giving. McCarthy suggests that telling the story may be just another cost of doing business, as basic as buying insurance or paying the light bill.

Add corporate philanthropy to the list of subjects that can be discussed openly in polite society these days.

Strange as it may seem, that represents a change of considerable magnitude, because business hasn't always been willing to talk about its good deeds. The typical rationale for silence was based on the suspicion that if it became known that a corporation had a grant program, there would be a deluge of unsuitable requests that would have to be rejected.

"Sure, that can happen," says Constance Brennan, contributions manager for Boise Cascade Corporation. "But look carefully at the reason. The trouble usually can be traced to the fundamentals of the program—especially if it lacks clear objectives and guidelines for giving."

A disorganized approach to corporate giving can, indeed, stimulate unsuitable requests for grants. If there are no clear guidelines for saying yes to a worthy request, it's also awkward to say no to one that's out of bounds. And that's where the trouble starts—in ambiguity or an apparent lack of purpose.

Brennan says that Boise Cascade has an open communications policy: "If someone asks about the program, we tell them as completely as we can." And she doesn't wait around to be asked, either. Boise Cascade works hard to generate publicity for those who get grants. The corporation's communications policy embraces contributions just as surely as it does shareholder relations and prompt, accurate business reporting.

Alice E. Hennessey, vice president and corporate secretary for Boise Cascade, oversees virtually all of the company's communications programs. "The environment for business today is much different than it was in the

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past," she says. "Corporate reponsibility was once viewed as making a profit, paying dividends, providing jobs, and paying taxes. But in recent years, Americans have set new responsibilities for their institutions, including business. And they want to know how we're doing."

The first commandment of a successful communications program seems to be "honor thy audience." That includes knowing exactly who is in the audience; why they might be interested in what you have to say; what they already know about your activities, and what they think of them; and, perhaps most importantly, why you want to talk with them in the first place. From a practical standpoint, that means the corporate contributions staff should have close ties with the corporate communications staff.

Those ties couldn't get much closer than they are at the Jostens Foundation Inc. in Minneapolis. Ellis F. Bullock Jr., director of the foundation, is also director of the office of community affairs for Jostens Inc.

"We're very careful about publicity, and we really don't do a lot of general releases on our scholarships and individual grants," says Bullock. He is concerned that the work of the foundation could be misconstrued as a marketing device. "We do try energetically to reach an internal audience," Bullock adds. "And we publish a full disclosure annual report and distribute it widely."

Any complaints?

"Sure," Bullock says. "And we answer them as fully as we can. But the truth is, very few people these days are opposed to the idea of corporate philanthropy."

At Safeco Corporation, with headquarters in Seattle, Washington, considerable emphasis is placed on generating publicity grants, but the company does not publish an annual report or brochures about its giving program.

Michael Vickery, a contributions analyst, explains, "In contributions, as well as in other areas of activity, our instructions are to be open, direct, and complete in our answers to questions. But we don't publish an annual report or a four-color brochure. I think the reason is that we don't know who we'd send it to. Or why."

Yet Safeco works for, and gets, a great deal of press coverage about its individual grants, working closely with professional communicators at corporate headquarters.

"Usually, we work with the individuals receiving the grant—it's really their story to tell," Vickery says.

Vickery is quick to point out that even a carefully defined program, closely considered grants, and open communication don't make life problem-free. Consider, for example, the time Safeco announced a grant to a group with a novel idea for promoting better nutritional habits among senior citizens. "We thought it was a great idea—until we started hearing from the American Medical Association, the university medical school, and state health authorities," Vickery says. The group's idea had been developed without guidance from a licensed physician.

Safeco's reaction was to invite everyone in to talk about it. "We told them how and why we had considered the grant. They told us why they opposed it. They listened. We listened. The grant was eventually made, but modified to reflect what we'd learned. We started with irritation and anger, and ended with a better understanding—a better grant," Vickery says.

A continent away, at the Westinghouse offices in Pittsburgh, Cecile M. Springer, director of contributions and community affairs for Westinghouse Electric Corporation, says her organization not only favors saying more about what it does in its giving programs, but is also for saying it better.

Why bother?

Springer can give example after example. One involves an excellent program designed to bring senior citizens together with young people, which can give a renewed sense of purpose to the elders, and much-needed surrogate grandparents to the children.

"These people had a fabulous idea," Springer says, "but they really couldn't explain it very well. By working with the group to refine its ideas so the program could be explained easily to the public, Westinghouse also helped the sponsors refine their program."

"There are several advantages," she continues. "First, the program is better. Second, the communications are much more effective. Third, broader awareness and understanding means it will be easier to replicate the program. Fourth, if others become interested in the program, they may be willing to help fund it so we can turn our attention elsewhere. And, finally, we may get a little credit somewhere along the line for getting this thing up and running."

The first commandment of a successful communications program seems to be "honor thy audience."

Back in San Francisco, Henry R. Brett, contributions coordinator for Chevron U.S.A. Inc., talks about communications with mixed feelings. These days an oil company is far more likely to get talked at than listened to. There are exceptions.

When Proposition 13 cut the ground out from under community services in California, Chevron worked quietly to help out with interim funding.

"We weren't seeking publicity," Brett says. "But recognition eventually came to us anyway when we received special awards from representatives of state, county, and local governments that benefited from our help. There were some ironies in that—Chevron was honored for this work by some of our most vocal critics on other issues."

In normal communications work, Chevron segments audiences, stories, and even subject matter.

"Say you're talking about an education grant," Brett says. "Perhaps you should develop or buy mailing lists for college librarians, college presidents, public libraries, heads of community colleges, legislators, thought leaders, and others. Perhaps your public affairs people can use the information in making direct calls on editors. Perhaps the grant can be part of a presentation to civic groups, parent-teacher organizations, and so on. In other words, some of the basics of communications work—of the publicity/public relations business—should be considered in the contributions program."

He goes further.

"I'd like to see more done with paid advertising in the area of corporate giving; for example, large-space newspaper ads that talk about all the corporate contributions to a given state or region for the year—all the contributions to education, the United Way, the arts, and, of course, some of those other contributions of business, such as payroll, taxes, local purchases, and so on. A kind of community annual report on newsprint. If a lot of companies did something like that I think people would soon have a better idea of the importance of the private sector, not only in business activity and economics, but also in all of the other areas of daily living."

Brett's case for improved communications about corporate philanthropy has a bottom-line ring to it. At a time when business is held in low esteem, perhaps it makes good sense at least to expose the good works of corporations. Opinion polls suggest that the general public is not well informed about the philanthropic side of business. Telling the story may be just another cost of doing business, not much different from buying insurance or paying the light bill.

Monitoring and Evaluation In a Corporate Philanthropy Program

By Richard R. Johnson

Effective use of monitoring and evaluation of grants plays an important part in a larger style of management that requires accountability. Johnson maintains that all corporate contributions should be monitored, while evaluation is necessary only when it will improve grant activities, and when the evaluation itself is efficient in design.

If a company makes a proper effort to determine where its contribution dollars should go, what more is necessary? Individuals who give money to some charity do not follow up to check on how it is used. There are reasons, however, to think that corporations should do more.

First, the sums to be dispensed are considerably larger than is usual for individuals' gifts, and the larger investment signals a need for more care in giving.

Second, the grants program of a corporation is part of a larger style of management that points toward accountability of expenditures and some form of performance review.

Third, a corporate contributions program is expending "someone else's money" in making grants. Some argue that the money is diverted from profits that could be paid to stockholders; others say that these funds could be used for other business investments. When the corporation is a regulated utility, consumers see corporate giving as part of the cost of service.

Given these competing claims, should there not be a requirement that the dispensing of funds be done carefully, with hindsight as well as foresight? Monitoring and evaluation activities can help fulfill such a requirement.

Richard R. Johnson serves as research director of the Exxon Education Foundation, where he directs both research and evaluation of foundation programs.

Monitoring

Monitoring typically involves requesting written reports from grant recipients, making site visits to see aspects of the supported activity, or conferring by telephone with project personnel. Although monitoring may vary in its details from corporation to corporation, several principles of good practice apply regardless of the corporate style.

One, grant recipients should be told of the plan for monitoring when the grant is made. This notification serves three purposes: it indicates that the corporation takes the grant seriously, it makes it more likely that the grant recipient will record necessary information, and it ensures that the corporation and the grant recipient each understand the other's expectations.

Two, the collection of information should be as routine as possible. Standardized forms reduce the expense of monitoring, especially when the staff has many grants to track. (Such forms also ease the task of the grant recipient by indicating the level of detail in budget items to be reported and the kinds of questions that should be addressed in reporting activities.) It is also easier to maintain files on many projects when information is reported in a standard fashion, and easier to develop comprehensive summaries of clusters of grants when reporting to a management committee or board of directors.

Good monitoring practices should form the basis for the more specialized evaluation of projects and programs.

Evaluation

Evaluation is not merely a different term for the kind of project follow-up that is done in monitoring. A sound evaluation starts from a value judgment that should be made and works backwards to determine relevant information, the ways to collect it, and the proper means of communicating the implications to the appropriate audience. Monitoring uses a standard set of techniques to collect similar information from a variety of projects; evaluation is a custom-designed probe for answers to specific questions for a particular purpose.

Should there not be a requirement that the dispensing of funds be done carefully, with hindsight as well as foresight? Monitoring and evaluation activities can help fulfill such a requirement.

Although monitoring is a common activity among grant programs, evaluation is not. The best examples of corporate evaluation have focused on planning and revision of the total grants program, as was done at Armco, International Paper, and Weyerhaeuser. Post-grant evaluation of individual projects is much rarer.

A well-designed evaluation begins by asking three questions: "what?" "what for?" and "who?" "What" points to the issue about which the value judgment is to be made. "What for" refers to the possible actions that might be taken as a result of the value judgment. "Who" points to the different audiences for an evaluation.

Perhaps the easiest way to illustrate the different ways in which these questions must be answered before an evaluation begins is through some examples of different forms of evaluation.

Evaluation for Continued Funding

The decision may be whether to continue funding a project. The "what" question for this value judgment may focus on how a project measures up in relation to its own goals, or the quality of work of an organization compared with that of other groups that might receive funds, or the progress of a particular effort. Each of these foci for the "what" question will lead to a different evaluation. The "what for" question will focus on continuing to fund the project, phasing out support, or discontinuing it. The "who" question will be answered by sending the report to staff decisionmakers, a management committee, or the board of directors of the contributions unit.

Evaluation for Program Planning

Although the information to be collected will come from review of individual projects, the focus of the value judgment is on the funding strategy of the corporation. The "what" question in this case focuses on the strategy behind a set of grants rather than on the success or failure of the individual grants themselves. The "what for" question suggests gathering information to refine the overall program, not to modify individual grants. The "who" question in this case points to a board or policymaking body that will shape program strategies.

Evaluation for Technical Assistance

In addition to providing grants to projects and organizations, corporations give technical assistance. This assistance may take the form of loaned employees or payment for outside groups to work with an organization to improve some aspect of performance. An evaluation could be commissioned to help an organization learn more about its own program or operation. The "what" question here will be defined in relation to the grantee's needs, and the "what for" question will focus on change within the grantee organization. The "who" question is answered by recognizing that the primary audience is the grantee. This type of evaluation may not even make available some information to the corporate sponsor, because it may be confidential in nature. The most effective use of such a report is as an internal management document for the grant recipient.

Evaluation for Dissemination

Although it is most common to think of evaluating a grant when there is a question about its success, there are other times when it makes sense to do an evaluation. One reason for such an evaluation might be to document the success of a grant for a chosen audience. In this case the "what" question will be answered by recognizing the need to demonstrate the success of the project beyond the shadow of a doubt, to show its effectiveness in relation to competing strategies, or to determine which aspects of the project were most important in producing its successful outcome. The "what for" question is answered by the need to validate the functioning of a particular group to the potential funders, or to document the work so that it might be duplicated by other agencies. The "who" question is answered by pointing to an audience considerably larger than the grantor and grantee; this type of report is designed to be persuasive as well as informative.

But it is not enough, when one has understood what value judgment is to be made, merely to ask the right questions in evaluating. The answers received will depend not only on the question asked, but also on the conditions under which the asking takes place. Timing is important; to ask at the wrong time whether a project has succeeded will lead to the wrong answer. The sources of information are important; to ask a question of the wrong person can produce a misleading answer.

Evaluation techniques are systematic ways of dealing with the problem of knowing when there is a value judgment to be made. These techniques have been most refined in the style of evaluation that closely follows experimental design. The designs of such evaluation experiments explicitly recognize the errors in human observations and the pitfalls of human reasoning, and prescribe ways to correct for them. Terms such as reliability, validity, and significant differences are often used in connection with these ways of correcting for errors.

In most cases, however, an evaluation experiment is not possible. It may not be possible to set up control groups, and the complexity of the real project to be evaluated often does not fit into the categories and machinery of experimental design. But just as astronomy has led to knowledge of the universe, some evaluation techniques have moved beyond the constraints of experimental design to develop other systematic means of dealing with observation and error.

Opportunities to evaluate should be sought when the evaluation will improve granting activities and if the planned evaluation is efficient in design—in other words, the criteria used in deciding to do an evaluation should be similar to those used in deciding to make a grant.

Monitoring and Evaluation: The Relationship

Probably all corporate contributions should be monitored, in the sense that some information should be collected to document how the money was used. What is needed now is the improvement of an already common practice as contributions programs become less ad hoc and more professional. Evaluation, on the other hand, is far rarer—and should be. The additional costs in staff time, consultants' fees, and the burden on the grant recipient should be carefully assessed in relation to the potential benefit from an evaluation.

It is not that evaluation should be avoided. Opportunities to evaluate should be sought when the evaluation will improve granting activities and if the planned evaluation is efficient in design—in other words, the criteria used in deciding to do an evaluation should be similar to those used in deciding to make a grant.

Trends

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New Directions in Corporate Philanthropy

The Corporate Response to Cuts in Government Spending

By C. Kenneth Orski

There is little evidence to suggest that corporations are anxious to step into the breach created by the Reagan Administration's budget cuts. Instead, argues Orski, the challenge is to make available funds work more effectively by encouraging new ideas about improving the delivery of community and social services.

America's corporations find themselves confronted by a new challenge. The challenge is not, as some would urge, to replace lost federal aid with corporate contributions, dollar for dollar; most observers agree that this expectation is not realistic. The 1982 federal budget cuts for community development programs and social services amount to some $34 billion, and the funding reductions proposed by the Reagan Administration for 1983 in these areas would take away $12 billion more. In contrast, corporate donations for all charitable purposes in 1980 amounted to $2.7 billion—not an insignificant amount in itself, but only a small fraction of the lost federal revenue.

Nor is there much evidence that corporations are anxious to step into the breach. A recent Conference Board survey of 427 major corporations showed that only 6 percent of those questioned planned more than the usual increases in their contributions this year in response to federal budget cuts. Clearly, corporate philanthropy will not compensate for the billions of dollars Washington has withdrawn from social programs. To maintain otherwise would only divert attention from the real challenge at hand: making available funds work more effectively.

Indeed, how inventively companies employ limited philanthropic resources, and how imaginatively they leverage them, may become the true test of corporate public involvement in the 1980s. The need to increase the level of corporate giving has not disappeared; however, because the ability of corporations to give is in fact limited, using available dollars more effectively is of more importance than ever.

How can business put its contributions to more effective use? This is the central question that will occupy corporate policymakers for a long time to come. The suggestions that follow are meant to stimulate the emerging debate.

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Needed: A Coordinated Approach

Today, corporate donations too often flow only to established charitable causes and organizations, such as hospitals, universities, symphony orchestras, the arts, and the United Way. Should this pattern of giving be redirected toward some of the programs that have fallen victim to federal budget cutting? No uniform answer is possible. Some corporations will see no compelling reason to modify their carefully thought-out strategies and to abandon their traditional philanthropic objectives simply because new needs have arisen. Others will be more ready to revise their programs and to shift their resources to ameliorate the hardships caused by reduced government spending.

A desirable first step in many communities may be to launch a survey that would help identify the gaps created by the budget cutbacks, illuminate shared concerns, establish funding priorities, and ensure a fair distribution of available funds. The survey could also match applicant organizations with potential funding sources and identify intermediary organizations that could act as bridges between donors and recipients.

A survey of this kind can be carried out by a specially appointed task force, or it can be performed by the local Chamber of Commerce or a community foundation. Examples of different approaches are springing up around the nation. In Baltimore, a group of business leaders has organized the Blue Chip In project to raise money for programs threatened by public funding cuts. In Cleveland, corporations and the city government are using the Cleveland Foundation as a neutral forum to help mediate and coordinate the many community requests for help. In Seattle, the local United Way organization carried out a community needs study called Project Transition. In Atlanta, the Metropolitan Atlanta Community Foundation, with corporate support, created an emergency fund to provide temporary help to agencies that must adjust to funding cutbacks. The Northern California Grantmakers, the Associated Grantmakers of Massachusetts, Hartford's Coordinating Council for Foundations, the Fund for New Jersey, and the Minneapolis and St. Paul Foundations act similarly in their regions.

Such a survey can lead, as it did in Middletown, Ohio, to a consensus on which public programs are worth saving, which could be managed locally or privately, and which could be phased out. A needs study can thus lay the foundation for a new community services strategy. A survey can also help established donor organizations, such as the United Way, in assessing their own giving patterns and perhaps changing them to reflect change in community priorities. The community needs survey can also be used to encourage increased corporate participation and to focus that participation on newly recognized needs.

Increasing corporate participation may not be as difficult as some have alleged. Says William F. Kieschnick, president of Atlantic Richfield Company: "My guess is that many of the companies included in the 70 percent which give nothing are that way not because they are corporate scrooges who reject philanthropy in principle. Perhaps they have never been asked in a serious and persistent way. It may be as simple as that." If Kieschnick's hunch is correct, local Chambers of Commerce and special business groups, such as the Minnesota Five Percent Club and Baltimore's Blue Chip In project, may come to serve as a collective corporate conscience, exercising friendly but vigorous peer pressure on local companies to join the ranks of contributors.

Today, corporate donations too often flow only to established charitable causes and organizations, such as hospitals, universities, symphony orchestras, the arts, and the United Way. Should this pattern of giving be redirected toward some of the programs that have fallen victim to federal budget cutting?

Making Corporate Involvement Easier

With the numbers of grantseekers rapidly rising, many companies may find it convenient and effective to work through community-based organizations that can pool and leverage their contributions and relieve them of many of the complexities of individual corporate public involvement. This is especially true of smaller firms, which may lack the financial and staff resources of large corporations. Traditionally, the local United Way has been the only mechanism for collective action. Other kinds of facilitating mechanisms have recently sprung up, each of which can play a helpful role. There are five major types: business civic associations, intermediary organizations, community foundations, civic organizations, and civic entrepreneurs.

Companies can increase their influence and that of their contributions by joining other firms in special associations and alliances to strengthen the base of corporate involvement in community affairs. In smaller communities, the local Chamber of Commerce can often fill this role; in larger cities, business leaders may form a separate organization. Such a group offers a convenient way for the corporate community to pool resources and deal with local officials; it can also serve as a catalyst for specific private sector initiatives. One example is the Dallas Citizens Council, whose members are the chief executive officers of large corporations, and which serves as a vehicle for the business community to work together on a variety of civic initiatives. The Bay Area Council in San Francisco, the Central City Association in Los Angeles, the Greater Baltimore Committee, the Denver Partnership Inc., and Central Atlanta Progress Inc. are other examples of business alliances working to promote community social and economic objectives.

Another way to facilitate corporate donations is through an intermediary organization, which can help community-based groups with information, training, and technical assistance. They also can serve donors by identifying worthwhile local projects for financial support and by serving as a funnel for individual corporate contributions. A well-known example is the Local Initiatives Support Corporation (LISC), a joint effort of the Ford Foundation and six insurance, banking, and industrial firms. LISC's charter is to "help strengthen and expand the capacity of independent community-based development organizations to improve the physical and economic conditions of their communities." Other well-known intermediary organizations are the National Development Council, which helps local communities organize joint public/private efforts in economic development, and the Center for Community Change in Washington, D.C.

Community foundations can be useful as funding vehicles and as forums for collaborative corporate efforts to address community problems. The Cleveland Foundation, one of the most active and effective community foundations in the United States, has catalyzed many innovative housing and education programs in that city. The group has also served as a broker in bringing other Cleveland foundations and corporations together to develop cooperative programs on issues as diverse as child care, neighborhood revitalization, and lakefront redevelopment.

Broadly based civic organizations can help corporate donors determine the most useful type of public involvement. Some civic organizations, such as the Greater Milwaukee Committee, limit representation to a few specific sectors of the community; others, such as Baltimore's Citizens Planning and Housing Association and the Citizens' League of Minneapolis and St. Paul, serve as forums for discussion of mutual concerns by citizens and leaders from numerous groups within the community, including the business sector. In either case, a civic organization can be an effective link between a private company and the community.

Finally, corporations can work with civic entrepreneurs, persons in the public or private sector who have devised innovative approaches to community problems and wish to build a consensus that will support their implementation. Civic entrepreneurs can help a company to launch creative new ventures that might be blocked in the more bureaucratic environment of an established organization.

There is no "right" vehicle for corporate involvement. Rather, there is an array of instruments and processes that companies can use to extend public involvement. The challenge before corporate management is to select the forum that will be most helpful to the company in reaching its public involvement goals.

Using Small Contributions Effectively

Grants need not be large to be effective; small grants can be influential if they are used creatively. One such way of using small contributions is to apply them to developing novel, cost-saving means of providing local social services. For example, a relatively modest contribution could finance a pilot project to demonstrate the practicality of using corporate commuter vans to transport elderly and handicapped people during the day. A smaller grant might be enough to support a study of the feasibility of creating a local assessment district to improve basic services and amenities in a residential neighborhood. A few thousand dollars might fund an effort to come up with a proposal for a local clearinghouse for volunteer services.

Indeed, with so many services affected by the government cutbacks, probably the greatest need at this time is to encourage new ideas about improving the delivery of community and social services. Stimulating such ideas through small seed grants to community-based groups and intermediary organizations provides a perfect outlet for companies that are not in a position to engage in large-scale philanthropic efforts.

Leveraging

During the late 1970s a new word, "leveraging," crept into the lexicon of urban economic development. The word denotes the practice of using public funds to lure private investment into ailing cities. The underlying assumption was that many urban ventures could be made more attractive to private developers if only (and only if) certain expenditures were assumed by the public sector. The soundness of this principle has since been amply confirmed in practice: the Urban Development Action Grants, administered by the U.S. Department of Housing and Urban Development, are claimed to have triggered or "leveraged" $4.6 billion in private investment during 1981.

If leveraging works with public money, might it not work equally well with private funds? The idea of using corporate contributions to leverage local public funds is worth testing. Many local public programs are currently in jeopardy, not because local or state funds are running out, but because the program's federal support—often a small fraction of the total cost—is being withdrawn. By replacing the federal contribution with private funds, the local business community could leverage its donations many times over.

Leveraging can also be applied to individual philanthropy—and with equally impressive results. Exxon Corporation offers to match 3-for-1 the contributions of its employees to public charities. Atlantic Richfield (Arco) does the same on a 2-for-1 basis. The Arco program is reported to have doubled employee participation in the United Way campaign, stimulating $2 million in individual contributions in 1981. The matching gift program, says Eugene R. Wilson, the Atlantic Richfield Foundation's executive director, has become "a cornerstone of Arco's corporate giving philosophy."

Community Partnerships

Given the reduced financial capacity of many local governments, business has an opportunity to become a full partner with local government in a variety of civic and community ventures. The motive does not have to be altruistic; in fact, the most effective partnerships are those that are deliberately entered with self-interest in mind.

Many firms find it easier to attract and retain employees in places that have an attractive physical environment and a positive community image. Corporate offices have an interest in ensuring that they do not find themselves located next to a slum. Developers, builders, insurance companies, and banks have a very direct interest in protecting their investment in urban real estate. Similarly, it is in the interest of business that local government be well managed and the delivery of services efficient.

Examples of imaginative public/private partnerships are multiplying rapidly. For example, the Denver business leadership is working through Downtown Denver Inc., a charitable organization financed in part through corporate donations, to take over the management of Denver's new downtown mall. This move will relieve the city of a substantial financial burden, and involve the business community intimately in the shaping of downtown Denver's future. Similarly, in Minneapolis, major corporations took the lead in planning, financing, and developing the 12-block-long Nicollet Mall, the catalyst for some $500 million in new construction and thousands of new jobs in downtown Minneapolis.

The Toledo Economic Planning Council, a consortium of local bankers and business leaders, is working to revitalize Toledo's depressed Warren-Sherman neighborhood. The aim is to help reduce the area's unemployment by bringing in businesses that will bring jobs. The project so far has attracted $30 million in private sector money, and is expected to stimulate up to $150 million in public and private investment in the next few years.

Conditions for Success

What is needed for success in these and other innovative corporate involvement ventures?

First, there must be an awareness at the top that these are not ordinary times. The federal budget cuts and the Reagan Administration's New Federalism have confronted community organizations, cities, and states with truly staggering fiscal responsibilities for which they are often ill prepared because they have not planned for them. Local governments find it more difficult to raise needed funds in the bond market; when they do, they must swallow borrowing charges that are more than double the 1979 average. Community organizations are facing increased demand for services at the same time that they have fewer resources.

Corporate leaders should be attuned to the new responsibilities confronting local communities; they should try to reach beyond the traditional areas of concern and involvement. A good case in point is urban transportation—a public service that has not been the object of great private sector concern in the past, but which, given its financial predicament, may well require increased private support in the future.

Second, corporate foundation boards, foundation executives, and contributions managers must learn to be more entrepreneurial. They should seek opportunities for constructive community involvement, not shy away from supporting innovative ventures that bring other grantmakers, community groups, governmental agencies, and corporations together in new and untested ways. The business community could profit greatly from studying the experience of such philanthropic leaders as Atlantic Richfield Company, Aetna Life and Casualty Company, Exxon Corporation, Xerox Corporation, General Mills Inc., Levi Strauss & Company, Dayton Hudson Corporation, and IBM. Behind these success stories lies a willingness to undertake venturesome projects with local government and an active desire to become a partner with city hall and civic organizations.

Grants need not be large to be effective; small grants can be influential if they are used creatively. One such way of using small contributions is to apply them to developing novel, cost-saving means of providing local social services.

There is thus a new and exciting challenge facing the leaders of philanthropy—to use resources more creatively. The strength of the reply will determine in no small measure whether private sector initiative will assume a positive influence in daily life and fulfill a constructive role in meeting social needs.

Tax Considerations in Corporate Philanthropy

By Timothy J. Racek and Joseph J. DioGuardi

The impact of the Economic Recovery Tax Act of 1981 may be less than positive in the short run; however, to the extent that the Act curtails inflation and increases profits, corporate resources available for philanthropy will increase significantly in the long run, say Racek and DioGuardi.

Taxes and corporate philanthropy have been related for more than 50 years. The Economic Recovery Tax Act of 1981 continued the public policy of using the tax laws to encourage corporate giving by increasing the deduction allowed for contributions to tax-exempt organizations; the maximum is now 10 percent of taxable income, double the prior 5 percent limit. This change might be thought a hopeful sign for charities; however, there are several reasons why it is not, at least in the short term.

Corporate philanthropy is subject to many business and social pressures. Of overriding concern, especially for publicly owned corporations, is the corporation's earnings per share. Thus the first priority of corporate managers is to ensure an adequate return on investment for their stockholders. Accordingly, because economic conditions are reducing profits in the short run and the provisions of the 1981 law encourage business investment largely by reducing currently taxable income, the application of a 10 percent limit to this reduced base may not exceed the amount defined by the prior 5 percent limit.

Corporate philanthropy is subject to many business and social pressures. Of overriding concern, especially for publicly owned corporations, is the corporation's earnings per share.

It is important to note that relatively few corporations even approached the maximum deductible contributions limit in the past. Thus, the ability to reduce current taxes by increasing charitable deductions will probably not be a major factor in corporate planning in the next several years. Contributions in excess of the annual limit can be carried over and deducted in any of the next five years; but this is not a significant motivation in uncertain economic times. However, where a non-tax-related motive for giving does exist, the increased liquidity resulting from the 1981 law will provide the resources for some corporations to do so. More than ever before, creative planning techniques are needed to maximize the positive and minimize the negative effects of the tax laws on contributions.

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Accelerated Cost Recovery

One of the key objectives of the Economic Recovery Tax Act is to recapitalize U.S. business through more liberal depreciation and investment credit incentives, coupled with opportunities for realization of benefits from capital asset additions even for corporations that would otherwise have a tax loss. The immediate effect of these changes is to reduce or eliminate current federal income tax liability. This was intended to enable U.S. industry to become more competitive and to provide additional incentives for savings and investment. Many corporations, especially

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those in capital-intensive industries, will have no tax incentive to increase their contributions; in fact, they may be encouraged to reduce them after revising corporate strategy to take advantage of the more liberal capital cost recovery provisions.

Reversionary Trusts

One way around the limitation problem is the use of a short-term reversionary trust, also known as a Clifford trust. In general, such a trust is established for more than 10 years; the grantor corporation retains no interest or power that would cause it to be deemed the owner of the income interest under the grantor trust rules of the Internal Revenue Code. The grantor does, however, retain the power to select the qualified charities that would benefit from the trust's income.

Such a trust is allowed an unlimited annual charitable deduction for amounts paid by it to charity during its taxable year; alternatively, the trust may currently claim an unlimited charitable deduction for income earned in the current year but paid out by the close of the following taxable year if the trustee so elects. Although no deduction is allowed for sums transferred to such trusts, neither is the income of the trust considered part of the taxable income of the grantor. In effect, the corporation is able to make a contribution that would otherwise be disallowed by the Internal Revenue Service because of the 10 percent limit.

Appreciated Property

A stagnant economy and current reinvestment requirements may make the retention of cash important to some corporations. One way around this, with respect to corporate giving, is the donation of appreciated property, such as real estate or securities, whose sale would have resulted in a long-term capital gain to the corporation. Because the maximum long-term capital gain tax rate is still 28 percent for corporations (20 percent for individuals), corporations have an incentive to contribute such property. The corporation thus avoids paying tax on the gain, while obtaining a contribution deduction for the property's fair market value. (It should be noted that property contributions to private foundations are subject to stringent limits that do not affect such gifts to public charities.)

A stagnant economy and current reinvestment requirements may make the retention of cash important to some corporations. One way around this, with respect to corporate giving, is the donation of appreciated property.

To illustrate the practical effect of these rules, suppose that a corporation has pledged $50,000 to a public charity, such as a school or hospital. If cash is used and the corporation is taxed at the highest rate (46 percent), the net cost of the gift would be $27,000 (the $50,000 gift less a $23,000 reduction in tax liability). If the corporation were to contribute $50,000 in appreciated, long-term capital gain property, such as marketable securities that had cost only $10,000, the net cost of the gift would be $15,800. The $40,000 of appreciated value would escape the 28 percent capital gain tax (some $11,200) that would have been due if the securities had been sold; and the corporation would still be entitled to a current charitable contribution deduction of $50,000. The $50,000 gift less a $23,000 reduction in tax liability less $11,200 capital gain tax payable if securities had been sold gives a net cost of $15,800.

It should be noted that the Economic Recovery Tax Act enacted a penalty for underpayment of income taxes attributable to overstatement of the value of appreciated property. The penalty ranges from 10 percent to 30 percent of the underpayment, depending on the size of the claimed valuation as a percentage of the correct valuation. All or part of the penalty may be waived on a showing that a reasonable basis existed for the valuation claimed and that such claim was made in good faith. Documenting the way in which valuations are made will help avoid problems in this area.

Donated Research Equipment

Manufacturers can now donate property to colleges and universities for research or experimentation and take a deduction for cost plus 50 percent of the appreciation, not to exceed twice the cost. This should help educational institutions in equipment-intensive research areas, such as physics and chemistry, by encouraging manufacturers to donate state-of-the-art equipment. To be treated as a qualified research contribution, the following requirements must be met:

- The property must be given to a qualifying college or university;
- The property must have been constructed by the donor (the cost of any parts supplied by others cannot exceed 50 percent of the donor's basis in the property);
- The gift must be made within two years of substantial completion of construction of the property;
- The donee must be the original user of the property;
- The donated property must be used for research, or experimentation, or research training in the United States in the physical or biological sciences;
- The donee cannot transfer the property in exchange for money, property, or services; and
- The donor must get a written statement from the donee that its use and disposition of the property will satisfy the previous two requirements.

For the purpose of the charitable deduction, qualifying research and experimentation uses include the development of an experimental or pilot model, a plant process, a product, a formula, an invention, or similar property. The term does not include activities such as ordinary quality control testing or conducting efficiency surveys, management studies, consumer surveys, or promotional campaigns.

Contracted Research

The Act also includes incentives for industry-subsidized research and experimentation at institutions of higher learning and exempt scientific research organizations. A special tax credit is now available, equal to 25 percent of the excess of qualified research expenses paid or incurred during the year over the average of the corporation's base period expenditures (the base period generally being the three previous years). Qualified research expenses are equal to the sum of the amounts paid by the corporation for in-house research and 65 percent of the amounts paid for contract research performed on behalf of the corporation.

A corporation is permitted to treat as a contract research expenditure any amount paid to any college, university, or qualified research organization for "basic research" to be performed by the organization. Basic research is "original investigation for the advancement of scientific knowledge not having a specific commercial objective." This provision results in a much broader definition of qualified research in the case of payments made to qualifying institutions.

Basic research must be performed pursuant to a written agreement between the corporation and the performing organization. A qualifying college or university must maintain a regular faculty and curriculum and must normally have a regularly enrolled body of students in attendance at the place where its educational activities are regularly carried on. If an organization's activities are educational in a broad sense and it only secondarily or incidentally maintains an educational institution, it will not qualify. For example, a university that incidentally operates a museum qualifies, but a museum that incidentally conducts educational activities does not.

Other Incentives

Finally, new incentives are built into the federal tax code, as well as the laws of several states, to help revitalize communities. Neighborhood Assistance Programs (NAPs) now encourage corporations in at least six states to take innovative approaches in solving community problems. Such incentives include substantial state tax credits and reimbursement for expenditures relating to certain qualifying economic development efforts, such as housing renovation in low-income areas. The tax incentives of NAPs can be especially effective when combined with new federal tax incentives that allow property leased to a tax-exempt organization to qualify for faster depreciation and a greatly expanded investment credit on renovation costs. The tax changes make it possible for corporations to realize significant economic gains from properly structured sales and leasebacks of certain renovated structures.

Profits and Contributions

It is ironic that the short-term motivation for corporate giving has been reduced at exactly the time that the private sector is being asked to assume the burden previously carried by government. Corporate philanthropy is sensitive to corporate profits, in a relationship that is countercyclical to philanthropic needs. Nevertheless, this is the key to the future. A healthy, productive economy is essential to generate the profits from which philanthropic dollars come. To the extent that the 1981 tax law changes and current monetary policies curtail inflation and increase real dollar profits, corporate resources available for philanthropy will increase significantly in future years.

Public Attitudes Toward Corporate Philanthropy

By Albert H. Cantril

Cantril explores the ambiguities and paradoxes of public attitudes toward corporate philanthropy. His data suggest that it is unlikely that either the public or shareholders will step up pressure on corporations for increased giving in the future.

Public attitudes toward corporate philanthropy cannot be understood apart from larger questions about the public role of the private sector. This is especially true now because of the retrenchment of the federal government associated with the Reagan Administration's New Federalism and with efforts to "privatize" the delivery of many social services.

The recent survey conducted by the Roper Organization for the American Enterprise Institute offers a starting point. At first reading, it can be seen that the American people feel that:

- The federal government has too much influence in people's lives, relative to other levels of government, business corporations, and, especially, private voluntary organizations;[1]
- "Tax money" is not well used in spending for human services;[2]
- Business corporations and private voluntary organizations are deemed "efficient and well-run" but the federal government, and, to a lesser extent, local government, are not;[3] and
- Government employees work less hard than people in comparable slots in private industry,[4] are less likely to come up with new ideas,[5] and are overpaid relative to their counterparts in the private sector.[6]

A further reading of findings from this same poll, however, shows that the public is also inclined toward the following views:

- Government should have a "major role" (as opposed to a "minor role," or "no role") in seeing that all Americans get good health care, in protecting the environment, in encouraging economic development, and in seeing to it that there are enough jobs.[7]
- Larger business corporations are no more "responsive to the people's needs" than is the federal government. Both are significantly less responsive than voluntary organizations, small corporations, or local government.[8]
- When it comes to ensuring civil rights, protecting the environment, or caring for the poor, the federal government is perceived as more able than any other level of government or nongovernmental entity.[9]

Ideologically, the American people have for 20 years been disposed to the view that the federal government is overextended, unresponsive, and wasteful in providing services.

Acknowledgment of this apparent contradiction is central to understanding where the private sector fits in the public's sense of how social problems should be addressed. Public opinion operates on two levels simultaneously. Ideologically, the American people have for 20 years been disposed to the view that the federal government is overextended, unresponsive, and wasteful in providing services. On the other hand, when asked about specific problems, people are inclined to favor an active federal role in such areas as health care, employment and training, day-care and school lunch programs, providing for the needy elderly, and supporting scientific research. Evidence of this paradoxical state of mind was uncovered before the days of the Great Society.[10]

In this broader context, poll findings about corporate philanthropy portray an ambivalence in public thinking. On the positive side, the Roper Organization has often documented the public's appreciation of the contributions made by U.S. business and industry to charitable causes.[11] And the public has felt (by a margin of 2 to 1) for nearly 10 years that business should hold profits to a modest level to permit devoting some money to social problems.[12] It is not thought sufficient that business contribute to the social welfare by maximizing its profits (and thereby its share of tax revenues).

On the debit side, the public remains skeptical about

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the motives of business and industry—especially the large corporations. Roper has seen virtually no change in five years in the finding that "business executives in large corporations" are seen as inclined to act more in their own self-interest, to the neglect of the public interest, than are those in nine other professions, including labor leaders, government officials, members of Congress, Cabinet officers, and newspaper reporters.[13]

A plurality of respondents to the Roper/AEI survey felt that corporations should give more than they do today.[14] And when the public is asked whether business will undertake various activities "on its own without the government getting involved," the public feels business can be counted on only regarding investment for development of new products and services. The eye of government is deemed necessary to ensure product safety, environmental protection, honest advertising, and employee safety, and to prevent price fixing.[15] In short, the public opinion of U.S. business:

- Acknowledges the social contributions made by business;
- Urges greater corporate giving;
- Doubts corporate motives and depth of commitment to solving social problems; and
- Does not look to corporate America to fulfill functions traditionally performed by government.

The attitudes of the nearly 30 million shareholders of publicly traded corporations are also relevant to corporate philanthropy.[16] In the absence of any systematic surveys of shareholders across the country, two sources of information must serve in drawing inferences about the disposition of shareholders toward the charitable activities of their corporations. The first is a survey of chief executive officers who were asked for their views of shareholders' opinions on the matter. The second is an examination of the incidence and results of shareholder initiatives bearing upon corporate philanthropy.

According to a survey conducted by the Conference Board in 1975, it is the prevailing view of chairmen and presidents of major corporations responding that shareholders have "no real influence" on the amount of corporate giving.[17] Of the 8 percent who say shareholders do influence levels of philanthropy, most think that shareholders' reactions work to decrease or to hold steady—not to increase—contributions.

These findings tend to be corroborated by an examination of the incidence of shareholder initiatives related to corporate giving. Various shareholder resolutions on the topic have been offered in recent years. Lawrence A. Wien of New York City has perfected a tactic involving the purchase of 100 shares of a corporation. After acquiring the shares, Wien notifies the company's management of his intention to offer a proposal that the corporation increase its charitable contributions to the limit of pre-tax earnings permitted by the tax code. Sometimes he meets with corporate officers to discuss the level of giving, which often results in the negotiated withdrawal of the proposal. Otherwise, his proposal goes forward, sometimes with an indication that the corporate officers have been unresponsive to his earlier overtures.

Evelyn Davis, of Washington, D.C., takes the opposite tack. She also buys shares in corporations, but she does so to oppose corporate giving except when it serves specific corporate interests. Other approaches fall between these extremes.

According to the American Society of Corporate Secretaries (ASCS), 991 shareholder proposals were recorded with ASCS during the fiscal year ending June 30, 1981.[18] Ninety-eight proposals, or about 1 in 10, dealt specifically with corporate contributions. Sixty-five of these called for

Giving Shareholders A Voice

Various approaches have been taken to providing shareholders with an opportunity to participate directly in the philanthropic decisions of their corporations. Two such proposals, those of Berkshire Hathaway Inc. and Robert Sproull, have been receiving attention.

Berkshire Hathaway is an Omaha-based corporation whose board of directors resolved in November 1981 to make charitable contributions to organizations nominated by shareholders. Two dollars per share are donated as designated by the shareholder (provided the recipient organization qualifies as a bona fide charitable entity). Shareholders may make up to three such nominations in one fiscal year. Approximately $1.8 million was donated in this way to 675 organizations in fiscal 1981.

Robert Sproull, president of the University of Rochester, has proposed using the tax code to the advantage of charitable organizations through a procedure that reduces corporate taxes. He uses this example: Suppose an individual normally gives an amount equal to a quarterly dividend (say, $100) to a charity. As things now stand, the corporation pays the dividend in after-tax dollars and the individual makes the contribution in pre-tax dollars. Sproull suggests that the individual designate a charity to which the corporation will donate $200. Net effect: the corporation pays $100 less in dividends and (assuming a 50 percent marginal tax rate) $100 less in taxes; the individual is not affected (no $100 dividend and no $100 contribution); and the charity is ahead $200.

Among the many issues raised by the proposed procedure is the question of how to ensure that the exercise of this option by some shareholders does not jeopardize the equity interests of shareholders who choose not to exercise the option. Legislation to clarify some of the tax consequences has already been introduced (S. 1834 and H.R. 4979). A more detailed exposition of the Sproull proposal can be found in his article, "Cost-effective Way to Spur Private Giving," *Harvard Business Review*, March-April 1982.

an increase in philanthropic contributions to a maximum of 5 percent of pre-tax domestic earnings. All were initiated by Wien. Of the 65 proposals, 41 were withdrawn for one reason or another, including an accommodating response from corporate management. Six other proposals offered by Wien recommended that corporate annual reports provide a summary of charitable contributions and the percentage relationship to pre-tax domestic earnings. Three of these were ultimately withdrawn.

The final arbiter of the degree and kind of private sector philanthropic activities will be the corporations themselves. They will reckon individually with the calculus by which their own self-interest is seen to depend on the quality of life of all Americans.

On the other side of the issue, Davis proposed in eight instances that there be no contributions to charitable, educational, or other organizations except to further the interests of the corporation. One of these proposals was withdrawn and another excluded by the Securities and Exchange Commission. Other shareholder proposals dealt with narrower stipulations regarding charitable giving (such as restricting further grants to grantees who have not fulfilled the terms of a grant). Virtually all of these other proposals were withdrawn or excluded by the Securities and Exchange Commission.

Setting aside those proposals that were withdrawn or excluded, 39 were formally acted on. All were defeated, whether they were for or against corporate giving. Shareholder initiatives seem not to have been a major determinant of corporate giving policy in 1981. The one exception is the actions of Lawrence A. Wien; he is the only shareholder whose efforts had an effect, resulting in an increase of corporate giving programs. If his approach is picked up and pursued adroitly by others, shareholder influence may increase. However, the general direction of the Conference Board findings and the outcome of initiatives taken in 1981 suggest that corporate philanthropy is not a high priority for shareholders.

Incentive structures are being recalibrated in favor of the private sector, and sensitivities have been heightened in all quarters regarding the social responsibilities of U.S. corporations. Evidence to date suggests that public or shareholder pressure to increase the level of corporate giving will not be overwhelming. The public is simply not expecting a major initiative by the private sector to take over those programs and functions being abandoned by the federal government. According to a Cambridge Reports survey, only 7 percent of the public feels that charitable donations from business will help fill the gap in funding.[19]

To the extent that the policies of the Reagan Administration exacerbate perceived social and economic inequities, corporations may feel some public pressure to take more philanthropic initiative. However, it is more likely that the public will seek the reassertion of a federal presence, especially in addressing the needs of the disadvantaged. At the same time, shareholders have not demonstrated a degree of participation in the affairs of their corporations, particularly in support of greater charitable giving, sufficient to suggest that they will be a major force.

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The author gratefully acknowledges the assistance of Richard N. White.

Notes

1. Specifically, 53 percent felt the federal government has too much influence regarding "the role each (group or organization) plays in your own daily life." Comparable figures for other institutions were: state government, 33 percent; local government, 20 percent; business corporations, 32 percent; labor unions, 46 percent; and only 5 percent for private voluntary organizations. (Survey for the American Enterprise Institute by the Roper Organization Inc., fieldwork during November 1981. Question #19. Used by permission.)
2. The question was "In general, do you think tax money spent for human services is well used or not?" The responses were: used well, 21 percent; not used well, 70 percent; no opinion, 8 percent. (Figures do not total 100 percent because of rounding.) (Roper/AEI survey; Question #17.)
3. These are the specific percentages of replies saying "efficient and well-run": federal government, 20 percent; large business corporations, 56 percent; small business corporations, 70 percent; your local government, 43 percent; and private voluntary organizations, 60 percent. (Roper/AEI survey; Question #23.)
4. The question was: "In general, do you think government employees work harder, less hard, or about as hard as people in comparable jobs in private industry?" The responses were: work harder, 5 percent; work less hard, 60 percent; about as hard, 31 percent; and no opinion, 4 percent. (Roper/AEI survey; Question #28.)
5. The question was: "Are they more likely, less likely or about as likely as workers in private industry to come up with new ideas for products and services?" The responses were: more likely, 11 percent; less likely, 50 percent; about as likely, 33 percent; and no opinion, 6 percent. (Roper/AEI survey; Question #29.)
6. The question was: "Finally, do you think — relative to workers in private industry—that government employees are overpaid, underpaid, or fairly paid?" The responses were: overpaid, 44 percent; underpaid, 11 percent; fairly paid, 38 percent; no opinion, 7 percent. (Roper/AEI survey; Question #31.)
7. Responses agreeing that "government should play a major role" for each problem area were: increasing the number of blacks and minorities in good jobs, 33 percent; encouraging economic development, 70 percent; helping American business compete with foreign business, 55 percent; fostering basic research, 56 percent; fostering the arts, 20 percent; protecting the environment, 72 percent; seeing to it that all Americans get good health care, 73 percent; and seeing to it that there are enough good jobs, 63 percent. (Roper/AEI survey; Question #36.)
8. Responses agreeing that each institution is "responsive to people's needs" were: federal government, 34 percent; large business corporations, 34 percent; small business corporations, 65 percent; your local government, 54 percent; private voluntary organizations, 74 percent. (Roper/AEI survey; Question #24.)
9. Responses agreeing that each entity is best able to ensure civil rights were: federal government, 60 percent; state government, 15 percent;

local government, 8 percent; outside government, 3 percent; a mixed pattern, 9 percent; no opinion, 4 percent. With respect to protecting the environment: federal government, 54 percent; state government, 19 percent; local government, 11 percent; outside government, 2 percent; a mixed pattern, 11 percent; no opinion, 2 percent. With respect to caring for the poor: federal government, 42 percent; state government, 25 percent; local government, 16 percent; outside government, 3 percent; a mixed pattern, 12 percent; no opinion, 2 percent. (Roper/AEI survey; Question #38.)

10. Evidence of this phenomenon was picked up first in a survey at the time of the 1964 election. *See* Lloyd A. Free and Hadley Cantril, *The Political Beliefs of Americans* (New Brunswick: Rutgers University Press, 1968). Subsequent poll findings continue to corroborate the conclusion.

11. More than half (56 percent) of the public felt the statement that "American business and industry has been generous in its contributions to good causes" was true; only 23 percent disagreed; 22 percent had no opinion. (Figures do not total 100 percent because of rounding.) (Roper Reports 75-7. Used by permission.)

12. Roper has on several occasions put two propositions to the public: "Business should confine itself to making goods and services at maximum profits, thus making its social contribution by providing maximum tax dollars to permit others to deal with social problems"; and "While business should make and sell goods and services, it should also undertake to solve social problems and improve the quality of life at its own expense, holding its profits to a modest level." The second proposition was the preference of 65 percent in the first sounding in May 1974, and of 63 percent when the question was asked in late 1981. (Roper/AEI survey; Question #56.)

13. The "self-interest" figure for business executives in large corporations was 76 percent. By contrast, it was 62 percent for labor leaders, 49 percent for Senators, 45 percent for government officials, 48 percent for Congressmen, 37 percent for Cabinet officers, and 32 percent for newspaper reporters. (Roper Reports 81-8 August 1981. Used by permission.)

14. Forty percent wanted to see more corporate philanthropy; 18 percent wanted less giving; 28 percent favored keeping it at the present level; and 14 percent had no opinion. (Roper/AEI survey; Question #60.)

15. The percentages for those feeling "it is necessary for the government to keep a sharp eye on business" for various activities are: cleaning up any air and water pollution it may create, 82 percent; not getting together with other companies and illegally fixing prices, 80 percent; making sure the products or services it provides are safe, 73 percent; advertising honestly, 70 percent; providing safe working conditions for employees, 68 percent; and investing money in the development of new products and services, 33 percent. (Roper Reports 81-4. Used by permission.)

16. *Shareownership: Changing Patterns in the Public Ownership of U.S. Corporations* (New York: New York Stock Exchange, 1981), p. 2.

17. James F. Harris and Anne Klepper, *Corporate Philanthropic Public Service Activities* (New York: The Conference Board, 1976), p. 6. The low response rate of 35 percent (457 returns from 1,300 corporations contacted) limits the ability to generalize with confidence from these findings.

18. *Report on Shareholder Proposals, July 1, 1980 to June 30, 1981* (New York: American Society of Corporate Secretaries Inc., 1981), pp. 56-57.

19. Cambridge Reports #29. Used by permission.

The Impact of Acquisitions On Corporate Philanthropy

By Eugene C. Struckhoff

The only certainty about corporate philanthropy when an acquisition occurs is that the new owner calls the tune, says Struckhoff. The author offers examples of effective methods of communicating and effecting new plans under circumstances of corporate acquisition.

The only certain rule about giving when a company is acquired is that the new owner calls the tune. Many acquisitions remove the local owners of closely held corporations. The new corporate owners, whose headquarters are elsewhere, and the managers they assign to community sites are motivated by considerations of profit and management unmixed with the kinds of community ties and personal considerations that influenced the philanthropic choices of the previous owner. These and other patterns became clear in interviews with officials of some 15 corporations that have changed hands in the past few years.

If the acquired company has been a modest giver, the shift from a local to an outside owner may not result in less giving; when the acquirer has a more generous policy, it

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may even result in more. However, if the prior owner had been a patron of philanthropy in the community, acquisition results in a loss of philanthropic leadership. Although some outside companies will continue to bear their share of the costs of philanthropic undertakings, an acquiring company does not usually assume the role of originator, advocate, and leader of such enterprises.

The parent company can be expected to set the giving budget for a newly acquired local plant, and normally will direct that giving not exceed the budgeted level. Companies that have been giving a higher percentage of pre-tax profits than their new parent are likely to be directed to trim back to a level consonant with that of the parent. Occasionally, an acquiring company that makes generous contributions in a particular grant field may cause its new division to increase giving in that field. For example, the Pillsbury Company, which has a policy of matching the gifts of employees to the United Way, directs newly acquired local units to do the same.

Reviewing Past Actions

It is common for the new owners of a company to review its giving philosophy, objectives, and procedures with an eye toward making them accord with those of the parent. If, for example, the acquiring company does not match employee gifts to colleges and the acquired company does, the parent must consider whether to continue the program or to require the acquired company to terminate it.

A giving officer for a large national corporation says, "Melding the giving programs of two such companies is not an easy job." Some issues can be resolved only over time. A manager of a plant in a small community, who has several times managed just-acquired local units for his company, explains, "At first we try not to rock the boat. We go along with the giving of the old outfit in the community for a few years. It takes that long to get more pressing problems under control."

It is common for the new owners of a company to review its giving philosophy, objectives, and procedures with an eye toward making them accord with those of the parent.

Two years after it was acquired by Consolidated Foods Corporation, the Hanes Corporation of Winston-Salem engaged consultants to review its giving program. They recommended that the subsidiary redirect its giving to institutions and services of greatest interest and utility to a maximum number of Hanes Corporation employees and their families. This is likely to mean increased giving to social welfare agencies, such as youth organizations. It will also mean the use of grant allocation formulas, partly based on the proportion of Hanes employees in the workforce in each community with a Hanes site, that will reduce the long-standing concentration of grants in Winston-Salem.

Communicating a New Plan

Many people have a stake in the philanthropic intentions of an acquiring company: the employees of the acquired company, other corporate givers in the community, and those who serve in the local schools, hospitals, recreational and cultural agencies, and charitable organizations. Unfortunately, many acquiring corporations do not adequately communicate their philanthropic plans to their employees or others in the host community—and too many companies have not developed plans that can be communicated.

Because acquisition of a local facility by an outside owner stirs community apprehensions, an acquiring corporation is wise to have a plan for giving and to communicate it well. Not to do so can mean losing opportunities to allay suspicion and to establish the image of the corporation as a good citizen.

Because acquisition of a local facility by an outside owner stirs community apprehensions, an acquiring corporation is wise to have a plan for giving and to communicate it well.

The steps taken by two corporations present good examples of what can be done. In 1979, the Nordson Corporation, a maker of machinery to apply coatings, acquired Doboy in New Richmond, Wisconsin (population 4,300). With 500 Nordson workers employed at this plant, the company's support will be significant for community activities. Nordson representatives met with community and business leaders to explore community needs and to explain Nordson's philanthropic policies. Nordson's formula for allocating donations to New Richmond's United Way by matching employees' donations dollar-for-dollar drew strong local approval.

Nordson also encouraged the formation of a community foundation in New Richmond by pledging $50,000 on the condition that it be matched by other contributors. In short, Nordson had the foresight to develop a plan for philanthropic leadership, to communicate it to residents in its new plant site, and to call for—and get—their support. The company successfully established itself as a concerned new corporate citizen of the area.

When Target Stores, a wholly owned operating division of Dayton Hudson Corporation, acquired the 40 stores of the Ayrway chain, it scheduled meetings in Fort Wayne, South Bend, Evansville, and Indianapolis, Indiana, and in Louisville, Kentucky, to introduce itself to the communities in which its new outlets are located. Barbara Thatcher, manager of community relations for Target Stores, explains that she visits the areas in which acquired properties are located within 60 days of an acquisition or opening. Thatcher and other Target representatives meet with local public officials, business leaders, and representatives of various community groups to explore local needs and to explain Target Stores' grant programs.

To avoid raising expectations beyond the ability of Target Stores to respond, the Target team explains that the 5 percent of pre-tax net income given by Dayton Hudson is allocated among all Dayton Hudson's divisions, including Target Stores. The Target Store division must, in turn, allocate its share among 160 stores in 18 states, using a formula related to sales volume at each site. Such meetings have an optimistic tone and clearly invite residents to apply, but they also make it plain that many worthy requests must inevitably be denied.

Thatcher says that this direct approach enables her to gauge how each community feels about itself, to bring store managers of the Target chain into the giving process, to introduce them to community leaders, and to identify community organizations that are making things happen. It also enables her to establish contact with local leaders with whom she can later confer about requests from each community.

Acquisitions and Company Foundations

Special consideration must be given to company foundations when a firm is sold. Such a foundation is separately incorporated and has a life and governing structure of its own. It may also have made grant commitments and have obligations to its staff, such as pension arrangements. Sufficient care is not always taken, as shown by a recent takeover in which the corporate parties, presumably in the heat and haste of bargaining over much larger items, failed to discuss which party would control a foundation that had been endowed with $6 million by the selling corporation and its previous owner.

In most takeovers, negotiation between the companies puts control of a company foundation in the hands of the new owner. A buying company regards such a foundation as valuable because it helps the company fulfill public expectations that it support community improvement and other charitable activities. For its part, the company being sold will want to ensure that the foundation will continue to fund the institutions that have come to rely on it.

Because an acquiring company wants to gain local goodwill at the time of acquisition, that is the best time for the departing owner and community leaders to win assurances of continuing support. Interviews with acquiring and acquired companies reveal, however, that such details too often are the subject of little forethought.

In the absence of an agreement to the contrary, companies that succeed to the control of foundations may choose not to continue them. This is often true when the new parent does not itself have a foundation. The acquiring company may use voting control of the foundation to distribute the endowment over a period of time, perhaps cutting down or cutting out contributions that the acquired company might otherwise have made. Buying companies that themselves have foundations, such as Pillsbury and Standard Oil of Ohio, are likely to centralize decisionmaking under their foundation's control at the parent's headquarters.

In its usual form, a company foundation is incorporated separately, and its bylaws determine who will control it. Its immediate control lies with its current board and its ultimate control with whatever group elects the board.

Two Connecticut corporations that were acquired by outside interests within the past several years illustrate how prior planning and negotiation by the acquired companies ensured the continued service of their foundations to the benefit of the communites that they had long served.

When the Times-Mirror Corporation of Los Angeles acquired the Hartford Courant Company in 1979, the two bargained about the future of the Hartford Courant Foundation. The foundation's endowment had been estimated at $1 million, but it held shares of the company that yielded almost $6 million when the sale was completed. Negotiation between the parties led to arrangements ensuring that the annual income from this endowment will continue to be used for the benefit of the Hartford area. Two representatives of the Los Angeles firm were added to the Connecticut foundation's board and Hartford residents replaced those board members who were scheduled to leave the employ of the newspaper. The new Hartford members of the board are friendly to the outside owner of the company, but they are also strongly committed to the Hartford area.

In 1974, the Bristol Brass Corporation of Bristol, Connecticut, was a growing firm whose size and prosperity made it a tempting target for takeover by unsolicited suitors. W.L. Killen, its president, says that he feared that his negative responses to such suitors might lead to an unfriendly attempt to acquire Bristol Brass. The company had earlier created a foundation as a vehicle for giving. Members of the foundation (who elect its board) and the board itself consisted almost entirely of officers, directors, and shareholders of Bristol Brass Corporation. They shared the view that money that had been earned in the community by the company over the years should stay in the community and continue to be used for its benefit.

To ensure that result, the foundation began to add Bristol residents who were not connected with the company to its membership, and to add them also to the foundation board. By the time the Bristol Brass assets were acquired by other interests, the foundation was in the independent control of Bristol residents. This arrangement makes it certain that the foundation's endowment of nearly $500,000 will continue to be used for the town's benefit.

Because the giving function of acquiring corporations represents such a small part of their overall operation, few have developed policies and programs for integrating the function with the giving programs of newly acquired units or for communicating philanthropic intentions to those whom their acquisitions affect. A company's image can be damaged by such maladroitness. A corporation bent on acquisition does well to develop its philanthropic goals and, at an early date, to articulate them to the communities and constituencies concerned.

Grantmaking in Specific Industries

By William G. Keller

Keller examines the factors that give one industry a philanthropic profile that differs from another's and discusses specific needs and restraints on public utilities, banks and insurance companies, and retailing and manufacturing concerns.

The way a business responds to the questions of corporate philanthropy—whether to give, how much, and to what cause—depends on more than the depth of its pocket or the breadth of its social conscience.

Profitability counts, of course—a company wants to do well before it does good. Some of the other factors that shape a company's charitable behavior are also self-evident. There is scale, for example; a large firm can design its own charitable program and may be inclined to think nationally, while smaller companies are more likely to look for ways to pool their donations, and to focus on local gifts. Then there is location; for business as for the individual, charity usually begins at home, or at least nearby.

Profitability counts, of course—a company wants to do well before it does good.

There is also the question of the company image. A firm with its name before the public eye (or its business dependent on the government's goodwill) may seek charitable opportunities that will enhance its respectability. The oil industry's contributions to public television may not be motivated entirely by public relations considerations, but industry officials are not indifferent to the effects on oil's image. "For most corporations," *Fortune* magazine observed recently, "even better than doing good is to be seen doing good."

Corporate structure can also affect a firm's philanthropy. A closely held corporation may be able to indulge the pet interests of its governing body, while a publicly held company is held accountable for its donations at the annual stockholders' meeting. (A number of publicly held companies with strong leadership have proven that accountability is no bar to innovative grantmaking.)

If a banker or a life insurance executive hesitates when touched for a contribution, it may be because that gift will cost him or her more than it would cost someone in another business.

There are also less obvious factors that will give one industry a philanthropic profile that differs from another's. It is not innate stinginess, for example, that explains why utilities are among the least generous corporate donors. It is not accident that the manufacturing sector gives predominantly to education, while retailers are more inclined toward health and welfare. And if a banker or a life insurance executive hesitates when touched for a contribution, it may be because that gift will cost him or her more than it would cost someone in another business.

Public Utilities and Regulation

Studies consistently rank utilities at the bottom of lists of corporate contributors. The most recent survey of corporate tax returns conducted by the Council for Financial Aid to Education Inc. (CFAE), covering donations by 659 companies in 1980, found that electric and gas utilities contributed 0.287 percent of their pre-tax net income to charity, compared with 0.582 percent for all companies surveyed (see Table 1).

The reason, contends Hayden W. Smith, CFAE's senior vice president, is not hard-hearted managers but hard-headed regulators. The utilities—along with the telecommunications industry, which also ranks low in giving—are overseen by state or federal governing bodies that determine which business costs they can pass along to customers.

William G. Keller reports on lobbying and interest groups for Congressional Quarterly.

Table 1
Charitable Contributions as a Percentage of Income, 1980[a]

Sector/Industry	Number of Companies in Sample	Percentage of Pre-tax Net Income (Worldwide) Contributed
Manufacturing		
Printing & publishing	9	1.657
Rubber	9	1.414
Textiles & apparel	16	1.286
Paper & allied products	20	1.087
Pharmaceuticals	16	0.989
Primary metals	18	0.951
Stone, clay, & glass	16	0.948
Fabricated metals	24	0.901
Machinery	46	0.798
Transportation equipment	20	0.793[b]
Food, beverage, & tobacco	41	0.642
Chemicals	43	0.618
Electrical machinery	42	0.576
Mining	7	0.554
Petroleum & gas	32	0.295
Subtotal	359	
Average contribution		0.576[c]
Nonmanufacturing		
Merchandising	16	1.671
Banks	82	0.913
Life Insurance	44	0.786
Finance	6	0.671
Transportation	11	0.637
Property/liability insurance	20	0.636
Business services	18	0.621
Engineering & construction	5	0.470
Telecommunications	23	0.392
Utilities	75	0.287
Subtotal	300	
Average contribution		0.601
Total	**659**	
Average contribution		**0.582[d]**

[a] These data are weighted toward large companies, and are therefore not statistically representative of the full universe of 2.5 million companies. Pre-tax net income data can be skewed in any one year by the inclusion, or exclusion, of one or more large companies.
[b] Includes four companies with net losses.
[c] If four loss companies are excluded, this figure is 0.523.
[d] If four loss companies are excluded, this figure is 0.545.

Source: Council for Financial Aid to Education Inc.

According to officials at AT&T, who keep tabs through their regional telephone affiliates, the states are about evenly divided on the question of whether charitable contributions are a business expense that utilities can legitimately pass along to their customers. In roughly half the states, utilities commissions (or the state courts, or, in Illinois, the state legislature) have ruled that charitable gifts that are "reasonable in amount and purpose" can be included in rates charged to customers. The other states have ruled that any charitable gifts must be charged to shareholders.

Smith, who has testified repeatedly before state and federal regulators on the issue, argues that utilities should be allowed to treat charity as a legitimate cost of doing business, and to include it in the cost of their product, as any other business would. Ultimately, Smith says, all corporate charity is paid for by the consuming public, in the cost of goods and services sold. It is a proper cost of doing business, because it brings a handsome return in goodwill and community prosperity. Moreover, he says, because utilities usually give in the region they serve, their contributions are of direct benefit to the customers who live there.

There is strong disagreement with this position, even within the philanthropic community. Independent Sector, a coalition of philanthropic organizations, has debated whether it should intervene in state proceedings on behalf of permitting utilities' contributions to be passed on to customers, and has failed to take a position.

Janet Welsh Brown, executive director of the Environmental Defense Fund and an Independent Sector board member, says that utilities should be treated differently from private businesses, because utilities are essentially monopolies with captive markets. Customers who disapprove of the local utility's charity cannot choose to buy their electricity from another company. Her viewpoint is widely shared by customer groups and consumer advocates. She also points out that there is no evidence that utilities give more in states that permit them to include charitable gifts in their rates, and that utilities are in a precarious financial condition, anyway. "If you want to increase corporate charitable giving, you should go after the healthy industries," she says.

Hayden W. Smith acknowledges that there are no data on utility giving under different regulations; the data are difficult to obtain because many utilities cross state lines. He adds that even where utilities are permitted to pass the cost of giving along, regulatory oversight is likely to be a daunting presence: "That sense of being watched all the time . . . has an inhibiting effect." He advocates not only a uniform policy of allowing utilities to pass the cost of contributions along to their customers for charity, but also an active effort by regulators to encourage such giving.

Banks, Insurance Companies, and Tax Law

Corporations are permitted to claim tax deductions for charitable gifts up to a set percentage of their taxable income—5 percent, raised to 10 percent by the Economic Recovery Tax Act of 1981. It is a rare company that comes close to taking full advantage of this tax shelter. However, for some life insurance companies and banks, the shelter ceiling is effectively lowered by the way taxable income is computed.

A large, long-established mutual life insurance company realizes most of its profits from income on investments—the assets kept in reserve to back up outstanding policies—rather than from new sales. However, life insurance companies cannot legally deduct charitable gifts from investment income. So, although other companies can reduce the effective cost of their charity by writing off donations, mutual life insurance companies may find themselves bearing the full cost.

Banks also rely on the growth of investments for much of their earnings. But most banks invest heavily in tax-free municipal bonds, which do not earn taxable income. Thus the base for computing the amount that can be deducted is lower.

Some large banks and insurance companies have found a remedy in the creation of foundations or trusts to do their giving. In the insurance industry, for example, Aetna Life and Casualty, Metropolitan Life, New York Life, Pacific Mutual, Prudential, Phoenix Mutual, and other large, mature companies have endowed corporate foundations with assets that earn tax-free income. Companies that do not want (or cannot afford) to turn over a block of assets permanently to a foundation can use a Clifford trust. (Under a Clifford trust, the company turns over some of its assets for a set period—usually a little more than 10 years—during which all income earned by those assets goes to charity. At the end of the set period, the assets revert to the company.)

The Girard Bank in Philadelphia discovered a few years ago that it was not taking full tax advantage of its charity. According to vice president Richard C. Torbert, Girard designed a three-way giving program to remedy that deficiency. The bank now has a foundation and a Clifford trust. In addition, the company still gives some money from corporate earnings, so that it can take advantage of a Pennsylvania state income tax break called the Neighborhood Assistance Tax Credit. Torbert said the bank gives as much as it did a few years ago, but reaps much better tax benefits.

In the insurance industry, foundations are the more popular method of plugging leaks in the tax shelter.

In the insurance industry, foundations are the more popular method of plugging leaks in the tax shelter. A check of about 175 company reports collected by the insurance industry's Clearinghouse on Corporate Social Responsibility found only four with Clifford trusts.

The Protective Life Insurance Company in Birmingham, Alabama, set up a Clifford trust in 1980 and has been able to increase its corporate giving without any additional cost to the company, according to Drayton Nabers, the company's senior vice president. "It puts the company in a position roughly equivalent to any other business," Nabers said. The Northwestern National Life Insurance Company Minneapolis also set up a Clifford trust in 1980, putting in $5 million in assets. Since then, according to former vice president Chris Finsness, the company's philanthropic activities have nearly doubled—from $350,000 in 1980 to an estimated $600,000 in 1982—at no additional expense to the company.

Veterans of the corporate foundation and Clifford trust cite two potential liabilities in these arrangements. One is that donations made from these sources must go to registered, tax-exempt charities, and small, local beneficiaries may not always meet that qualification. One executive, who asked that his company not be identified, described an effort to underwrite a recreation program in an inner-city neighborhood. There was no established tax-exempt organization to accept the money for the program, and it took the company many months and "a little legal ingenuity" to make the contribution. The other hazard is that establishing a separate charitable entity may isolate charity from the corporation itself, making it more an impersonal, arm's-length transaction than a matter of real corporate involvement.

"There is that risk," conceded Stanley G. Karson, director of the Center for Corporate Involvement. "But there are some advantages, too. It may be the first time a company has had its corporate contribution program properly staffed and professionally managed."

Another advantage is that foundations and trusts may ensure that charity continues in years when business is not good, as the auto industry has shown. Thanks to their foundations, Chrysler Corporation, Ford Motor Company, and General Motors Corporation dispensed an estimated $36 million in contributions in 1980—while the companies themselves registered more than $4 billion in losses.

Retailing and Manufacturing

The Orange County, California, Council of the American Electronics Association launched a campaign to raise a $240,000 charitable fund in 1982, asking each of its member companies to donate an amount equalling 2 percent of its research and development budget. Many of the council's members are small, rapidly growing firms, and for most this will be the first venture into corporate philanthropy. The money will be spent to underwrite engineering and computer science equipment and faculty positions at three local colleges, according to Pat Kane, president of Applied Data Communications and chairman of the county group. Kane said that, to sell the program, he is using the argument that increasing the pool of trained talent will in the long run save the industry money.

"To have us really eat into our earnings, it's got to be considered more of an investment than a philanthropic endeavor," agreed Randy Knapp, president of Wespercorp, another Orange County electronics firm.

These high-tech companies in Orange County are typical of the manufacturing sector in that this sector has consistently given the largest share of its donations to education—42.7 percent in 1979, compared with 25.9 percent given by other sectors. This reflects the manufacturers' view of the needs of society. They are more likely than nonmanufacturers to feel the importance of having trained personnel to design and produce the next generation of products.

Like the Orange County high-tech firms, some manufacturing donors tailor their educational giving very precisely to their own needs. One example is General Motors, which gives about half of its charitable donations to education—but not to just any education. The money is channeled to those business and engineering departments thought most likely to produce future company recruits.

"Half a dozen years ago we would have given money to Harvard that might have wound up in the hands of an archaeology student on his way to look at King Tut's tomb," G.M.'s Robert J. McCabe told *Fortune* last year. "Now we give money directly to Harvard Business School."

Retailers start from a different perspective; their concern is not so much with products as with customer relations. Their business depends on daily contact with the citizens of their community, and their philanthropic strategies are likely to reflect that. Almost 44 percent of merchandising industry contributions went to health and welfare programs in 1979.

Hudson Department Stores in Detroit, part of the Dayton Hudson corporate family, follows a charitable formula that allots 40 percent to social action programs for the disadvantaged, about 40 percent to the arts and cultural programs, and the balance to education and other activities. "The constant need to be in contact with the public has perhaps caused a great number of retail companies' philanthropy to be directed toward social action, urban development and redevelopment, and other programs that deal with the community," said Joseph P. Bianco, Hudson's vice president for civic and governmental affairs. Bianco said that Hudson's primary objective is to keep the community stable and prosperous—in short, the sort of community that continues to patronize retail stores.

Retailer Bianco and high-tech manufacturer Randy Knapp both used the same phrase to explain their sharply different ways of giving: "enlightened self-interest." It is a phrase to keep in mind in analyzing corporate philanthropy.

The Role of Employees in A Corporate Philanthropy Program

By Ira S. Hirschfield

Corporate voluntarism serves the individual, the community, and the corporation. Hirschfield explores use of retired employees as volunteers, paid-leave programs, and participation of employees in contribution decisionmaking.

Corporate voluntarism and the philanthropy associated with it will not solve current social problems; however, such use of the vast corporate resource can make a substantial contribution to improving the quality of community life. Corporate voluntarism programs that operate in conjunction with a company's philanthropic program are of special value.

Corporate voluntarism can benefit all those involved: participating employees, community organizations, and the sponsoring corporation. Volunteer work enables employees to meet personal needs that they often cannot fulfill at work. Knowing that the skills that he or she contributes are useful and needed can improve an employee's self-esteem. Furthermore, successful corporate voluntarism broadens and deepens social networks and employees' awareness of community concerns. Additionally, volunteers may feel an increased sense of efficacy when corporate grants are made in recognition of their involvement.

Community organizations usually welcome a corporate voluntarism program with open arms. The free

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Volunteer work helps improve employee morale, and for some firms, job productivity and employee retention as well. It is thought to enhance recruitment of employees interested in working for a "good," as well as a profitable, company.

labor of trained personnel, donated goods and services, and the possibility of direct monetary support enable agencies to extend their services and achieve goals far beyond those dictated by their financial circumstances.

Sponsoring corporations also benefit richly. Interviews with plant and personnel managers and directors of community affairs and volunteer programs indicate that employee volunteer participation has positive results that can be described in some detail. Volunteer work helps improve employee morale, and for some firms, job productivity and employee retention as well. It is thought to enhance recruitment of employees interested in working for a "good," as well as a profitable, company. Such a program also improves community services that benefit employees' families.

Corporate sponsorship of volunteer programs also presents a positive image of the company to the employee, and a positive and visible image to local community leaders. Within the firm itself, group or team volunteer projects can improve communication among employees of different ranks. To the degree that employees' social concerns are reflected in work issues related to flexitime, day care, and health and safety issues, for example, company policies may also be affected.

Structure

The structure of corporate voluntarism programs is as varied as the more than 700 companies that support them. These programs can be found within any of several departments of a corporation: personnel, public affairs, human resources, industrial relations, training and development, and community affairs. It is also unclear how many corporations link their philanthropic efforts with employee involvement. Some companies do so, for example, by providing matching gifts to organizations to which employees (or retired employees) contribute both money and personal time. A new trend in matching gifts programs is the inclusion not only of support to higher education, but also of a vast array of nonprofit organizations.

Other corporations provide modest grants—from $100 to $5,000—in recognition of an employee's volunteer commitment, as a volunteer or board member, to a nonprofit organization.

Employee group or team projects often receive corporate philanthropic support. At Levi Strauss & Company, for example, group volunteer efforts and local fundraising usually provide the incentive for Levi Strauss Foundation grants that recognize and support employee achievement.

A relatively unexplored program area is the involvement of a company's retired employees. Very few corporations are known to have organized, active volunteer programs for retired employees. The most widely recognized is the Bell System's Telephone Pioneers of America, which has been involving retired employees in volunteer service projects since 1911. Another well-known program is the Honeywell Retired Volunteer Program, begun three years ago at the company's headquarters in Minneapolis. The program is run entirely by retired Honeywell employees, who have already enlisted the services of more than 350 former colleagues for 115 nonprofit agencies. Promoting the volunteer participation of retired employees is a very strong area for future development. Integral to its success, however, is a company-organized services program, which could include a retired employees' service as one component.

Corporations encourage employee involvement through several other mechanisms. The Metropolitan Life Insurance Company, for example, has a skills bank that arranged 900 placements during the past 4 years. Morgan Guaranty Trust Company currently has 280 employees volunteering through its 12-year-old Volunteer Bureau. These and other bureaus serve as clearinghouses, receiving requests from agencies that need volunteers and matching them with interested employees. In the Twin Cities, corporations sponsor the Management Assistance Project jointly with United Way. The project links corporate volunteers who have managerial and technical expertise with nonprofit organizations requesting assistance.

Many methods are used by companies to encourage voluntarism. Some send newsletters to employees, listing available opportunities; others conduct surveys and orientation sessions; still others sponsor volunteer fairs, in which representatives of nonprofit agencies visit a corporate facility to discuss the purposes and needs of their organizations. Recognition activities are also important, not only as a commendation for past accomplishments, but also as a catalyst of future involvement.

All of these efforts, as well as the development of group projects or employee involvement teams, require cash. The size of corporate community affairs staff, contributions staff, or foundation staff, for example, can range from 1 to 40 members, depending on the depth, diversity, and complexity of the program and the company's size, location, and sense of social commitment. Programs involving released time, loaned personnel, or social service leave also require the use of corporate funds to pay the salaries of individuals involved as volunteers.

The Rainier National Bank in Seattle, for example, lends mid-level managers to United Way and other service organizations to help them raise funds. Employees involved in Xerox's social service leave program have developed a monitoring system to reduce the incidence of crib death, and have assisted ex-offenders with job placement. A loaned vice president of Citibank in New York worked on the development of a fraud control system for the city's Human Resources Adminstration. These paid-leave programs are but a few examples of costly, but important, volunteer efforts sponsored by corporations.

Finally, donated goods and services frequently accompany employee participation, especially when a

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technical task is involved. For example, when a group of Kaiser Aluminum & Chemical Corporation employees prepared a marketing plan for the Oakland Ballet Company & Guild, Kaiser also paid for the printing of materials for a direct mail campaign. Other companies have provided free meeting space, computer time, and a variety of other services of value to community agencies. Frank Koch's book, *The New Corporate Philanthropy: How Society and Business Can Profit*, offers more information on possible in-kind resources available to nonprofit organizations.

There is one additional form of employee involvement, related to decisionmaking regarding a company's philanthropy. Weyerhaeuser Company, for example, encourages employee volunteer participation in all of its foundation operations, including reviewing grant applications, serving as liaison to funded agencies, and providing technical assistance to grant applicants. Many companies have volunteer employee committees that review and recommend proposals or allocate philanthropic funds to community organizations. These committees serve at least two important functions: they provide thoughtful reviews of proposals, and they help make employees sensitive to community problems and to the importance of corporate involvement in solving them.

An extension of this employee decisionmaking model is Levi Strauss & Company's community involvement team concept. The first teams were formed in 1968; there are now more than a hundred in the United States and other countries where Levi Strauss & Company has facilities. These teams, composed of employee volunteers, elect their own officers, identify local community needs, and design projects for their active participation.

The team concept includes direct volunteer service, local fundraising efforts, and follow-up grant support from the Levi Strauss Foundation. The needs identified by the team are frequently representative of major concerns in a community, and are often social issues that have affected the lives of employees and their families. Recently, for example, an employee in a New Mexico plant became the victim of family violence. This catalyzed the local community involvement team to help raise funds and renovate a house to establish a women's shelter for the local community. Several employees have remained at the shelter as volunteers. With the team and individual employee involvement came a foundation grant and annual contributions in support of individual employee volunteer and board service. The link with corporate philanthropic support is critically important in encouraging and affirming corporate voluntarism.

Considerations for Program Development

As corporate voluntarism programs emerge and grow, questions of quality and creativity will arise. Volunteer program managers have limitless potential to design opportunities for individuals to serve communities creatively. Companies employ a vast array of skilled labor—lawyers, accountants, planners, graphic artists, architects, and engineers, and computer, marketing, and management specialists, to name only a few. What is the range of volunteer opportunities available to these employees? Would it be possible to organize multidisciplinary task forces around the resolution of selected social issues? Has a careful analysis been done of where gaps in community services could be filled by individual or group volunteer efforts?

It is useful for a company to think about the philosophy of its employee volunteer program. Does the company wish to emphasize more active or more passive involvement? Does it wish to encourage the direct use of employee skills, resources, and time, or does it prefer to limit involvement to making decisions about contributions? How these questions are answered will influence the manner in which a program is developed.

Two factors can affect the success of any corporate volunteer program: management support and the allocation of staff to direct the function. Although executive leadership is significant to the development of volunteer initiatives, corporate programs cannot succeed without support from all levels of management. A supervisor's reaction to an employee's volunteer work can influence the individual's attitudes and degree of commitment to the activity. And a firm interested in developing a corporate volunteer program must recognize the costs related to its development. Corporate voluntarism cannot occur in an organized fashion without staff to coordinate it and nurture its growth.

Corporate volunteer programs can expect to be reviewed with the same scrutiny that is used for any other part of company operations, especially during challenging economic times. Consequently, program staff may wish to be more attentive to articulating goals and objectives, as well as to documenting the social return that the corporation receives on its investment. It is not enough to report back to management that employees "feel better" about themselves and the company because of their volunteer involvement, or that they have "met new friends" or "experienced self-growth." More specific terms are necessary to demonstrate program outcomes and corporate benefits.

A volunteer program staff, then, might want to document the number of persons who have volunteered, the number of hours served and their estimated dollar value, and the number and kinds of agencies served. It might also be useful to collect data on who volunteers and who does not—there may be groups of employees who feel excluded from the volunteer effort for one reason or another. A statement of the results of employee effort for the recipient agency can be a helpful measure, as can supervisors' assessments of the performance of employees involved in voluntarism. Management can then evaluate the value of its investment from this information.

A final consideration is the portion of a company's cash contributions or foundation budget that is used to support corporate voluntarism. As voluntarism increases, so too will the need for associated philanthropic dollars. Questions of goals and priorities and of resource allocation naturally come to the surface. Does a company wish to have broad influence on key social issues? Does it wish only to make grants in support of employee volunteer efforts? Should its efforts fall between these emphases? Both functions are a significant part of a company's social responsibility effort.

It is important to support employee effort; it is also important that the company take an initiating and responsible role in shaping selected areas of social policy. Race relations, housing for low-income families, crime, unemployment, drug and alcohol addiction, the quality of public education, health care costs, and family violence are only some of the issues affecting many communities. A company has to consider to what extent its resources and efforts should focus on one or several of these areas.

The combination of corporate philanthropy, employee involvement, and community agency participation can be positive and balanced. As long as the participating partners recognize their dependence on one another, all can emerge stronger for having been involved. A corporation's understanding of the differing purposes, management practices, and goals of independent voluntary organizations is critical to the success of this effort. At the same time, the nonprofit community should demonstrate a willingness to learn from corporate volunteers, whose work models and skills may be able to strengthen the achievements of community service organizations.

It is also important to be realistic about this collaboration. Corporate voluntarism and associated philanthropy are designed to work in partnership with the nonprofit sector of this nation—not in place of it. Each depends on the other's work to strengthen a society based on individual initiative and private enterprise.

The author gratefully acknowledges the assistance of Patricia Novick.

For More Information

There are several good sources of information about established corporate voluntarism programs. Write to Volunteer, 1111 North 19th Street, Arlington, Virginia 22209, or call (703) 276-0542; or write to the Involvement Corps, 1366 Las Canoas Road, Pacific Palisades, California 90272, or call (213) 459-1022.

The Council for Advancement and Support of Education (CASE) serves as the National Clearinghouse for Corporate Gift Information and collects data annually from more than 900 companies who administer matching gifts programs. Write to CASE, 11 Dupont Circle, Washington, D.C. 20036, or call (202) 328-5900.

For more information about the newly formed National Council on Corporate Voluntarism, write to the Council's secretary, Muriel Mahon, at the following address: Administrator, Employee Volunteer Programs, Metropolitan Life Insurance Company, 1 Madison Avenue, New York, New York 10010. There are also regional corporate volunteer councils, composed of volunteer program coordinators who meet regularly to share ideas and coordinate activities of mutual interest.

The Value of Noncash Contributions

By Jon A. Stewart

Surveying the variety of ways in which corporations donate products, lend executives, offer technical or legal assistance, and participate in other forms of noncash giving, Stewart recommends a combination of human and financial resources to meet corporate responsibilities.

The world of corporate philanthropy is not without its ingenious optimists. They are not many, but still they offer models for what could become a significant, uniquely corporate contribution to the support of nonprofit organizations.

This new approach seeks to amplify gifts of cash capital by generous injections of human capital. It recognizes that cash itself is inert, that talent and special skills are required to put cash to work—and that those talents and skills are far more common in the corporate community than in the nonprofit sector.

Jon A. Stewart has been senior editor at Pacific News Service, San Francisco, since 1975.

Talent and special skills are required to put cash to work—and those talents and skills are far more common in the corporate community than in the nonprofit sector.

Frank Koch, director of community affairs at Palo Alto's Syntex Corporation and the author of *The New Corporate Philanthropy: How Society and Business Can Profit*, describes many nonprofit organizations as "very well led but poorly managed." He believes that a partial answer to this problem is to lend corporations' managerial and technical talents to the nonprofit groups that need them most. Such an effort is not only a significant contribution in itself, but it can also help ensure that any contributed cash is used to its maximum value. The key here is the combination of cash and human capital, each of which increases the impact of the other.

Many corporations are generous cash givers, and many are generous with their products. Companies such as Johnson & Johnson, for example, have distinguished themselves through equipment and product donation programs that total in the tens of millions of dollars. Hundreds of other firms provide nonprofit organizations with a vast array of noncash capital gifts—food, medical supplies, computers, printing services, furniture, and so on. For nonprofit groups this form of philanthropy is nearly as important as cash. And increasing numbers of companies now encourage their employees to give of their talents, on or off company time. But combinations of these gifts are rare—and it is through such combinations that the greater rewards are realized.

For example, Mervyn's, of Hayward, California, recently gave a small cash grant to the local Eden Restaurant, a nonprofit concern that hires and trains disabled people for a variety of jobs in restaurant work. After making this operating grant, it became evident that "they needed to do a better job of marketing and making the community aware that they were there," says Sandra Salyer, community relations director for Mervyn's. The people at Eden were doing a fine job of training, and the food and service were excellent, but they weren't marketing experts. Mervyn's, on the other hand, knows marketing. Salyer arranged for Mervyn's marketing and graphics departments to come to the rescue with a handsome and effective advertising brochure. The results have encouraged Mervyn's to set up a structured employee involvement program for nonprofit projects this year.

Similarly, the Potlatch Corporation of San Francisco recently awarded a cash grant to a fundraising program for the Northern Idaho Children's Home in Lewiston. To help ensure the most effective use of the grant, Potlatch also lent its public relations expertise by designing and producing a slide show to be used in the fundraising campaign.

On a larger scale, the Sun Company Inc. of Radnor, Pennsylvania, is one among many firms with a local affiliate contributing funds to the Philadelphia Tricentennial planning organization. Sun has also provided a full-time executive to direct an office of volunteer services, with the aim of "pulling together the corporate community on a volunteer basis," explains Sun's Ken Hill, director of corporate citizenship. Sun has also sent two executives to the community development organization in nearby Chester, a run-down river port where Sun recently sold a large shipyard. "The idea there is that Sun will make a million-dollar contribution to the effort," explained Hill, "with the expectation that we can leverage that twice over. When we commit that kind of money we want our people there to kind of look over things. We want to generate a pool of about $3 million to provide seed money as well as a revolving loan type of concept to help businesses relocate there and establish along the river."

Like many firms, Sun is just beginning to keep track of its loaned employee efforts, which Hill believes represented about $500,000 in wages and benefits in 1981. "We have to formalize this whole system because we think the requests are going to outstrip our ability to respond," he says. One program involves executives who are nearing retirement and looking for what Hill calls "bridges from the corporate world to an alternative career." One senior vice president in human resources, about two years short of retirement, lectures full-time at the Wharton School. He draws full pay and benefits from Sun, just as if he were on the job.

Hill explains Sun's rationale: "In the long run, when we benefit the community we serve our own interests. We can't divorce ourselves from the Delaware Valley even if we would like to. We're here; we're committed. Our employees live here and we have an obligation to be responsive."

Hill's observations on the mutual benefits of community involvement agree with those of Minneapolis-based Control Data Corporation, one of the leaders in developing a fully integrated philanthropic program, combining many different giving and profit-oriented endeavors in such a way that each reinforces the others. Indeed, Control Data's chief executive, William C. Norris, has developed a philanthropic philosophy that views society's major unmet needs as profitable business opportunities. As Norris wrote in *The New York Times*, "The only way to bridge the funding gap and simultaneously improve services is to fashion a new public-private partnership built on profit-driven initiatives by the private sector."

Toward that end, Control Data has established an executive committee with a budget of $3 million to study possible ways of responding to social problems with Control Data's special resources while in some way benefiting the company as well. Perhaps the best known project is Fair Break, a program that combines Control Data's computer and educational expertise to provide training, counseling, and paid work to inner-city youths. The program not only develops well-trained and loyal employees, but it has also become a product itself—packaged and sold to a number of public service organizations working with disadvantaged youth.

Control Data has also located six new manufacturing plants, employing more than 1,500 workers, in depressed inner-city neighborhoods, with the intention of helping to develop markets in these communities. The firm has set up a low-profit lending and automobile leasing program for ex-felons who otherwise would be unable to find work. And it has gone into the housing renovation business in inner cities, refurbishing and reselling run-down dwellings for small down payments and at low interest rates.

"We're been successful," notes Norris, "because we've been willing to accept lower short-term returns on investment in return for substantial long-term opportunities."

Few firms have such well-thought-out and structured programs. Especially innovative is the approach pioneered by Levi Strauss & Company, which is geared toward providing foundation grants to nonprofit agencies and organizations in which Levi employees are volunteers. Levi's Local Employee Action Program gives grants of up to $500 a year to many nonprofit organizations in which Levi employees or retired employees have been volunteering time on at least a monthly basis for at least a year. Levi workers and executives are actively encouraged to participate in community involvement teams and in the Board Service Program, which provides cash grants to organizations in which Levi employees sit on the board of directors.

Chevron has started a similar program, known as the Employee Involvement Fund, now operating in four cities. A committee of workers at each site reviews applications for contributions of up to $250 to nonprofit groups with which a Chevron worker has been volunteering time for at least three months. Local budgets for the program are based on the assumption that between 2 percent and 10 percent of the workers might participate. "We know a lot of employee volunteerism is going on, some of it on company time, but we've never inventoried it," explains Henry Brett, contributions coordinator for Chevron U.S.A. Inc.

Atlantic Richfield Company's volunteer service program, which is similar to Levi's, grew directly out of the realization that "you can't dole out enough money to take care of what's happening in the nonprofit sector," says program director Judith Johnson. "It's impossible. So we decided we would try to combine our human resources with financial resources, and at the same time diversify our programs so that we weren't just tapping into education and kids." Each facility where the program operates has a part-time coordinator, appointed by management, who screens the nonprofit needs in the community and informs Arco workers of the opportunities that exist. At the end of 1981, the pilot volunteer program in four cities had recruited 350 new volunteers for nonprofit endeavors, bringing employee volunteerism up to 7.7 percent in those cities, and accounting for about 8,800 volunteer hours. The program has grown from 5 pilot projects a year ago to 16 different locations now.

The realization that growing nonprofit needs will always exceed the reservoir of corporate dollars has also led a number of firms to set up formal executive loan or product donation programs.

The realization that growing nonprofit needs will always exceed the reservoir of corporate dollars has also led a number of firms to set up formal executive loan or product donation programs. However, these programs are often conceived as alternatives to cash giving rather than complements. Xerox's Social Service Leave Program, for instance, specifically rules out cash grants to nonprofit groups in which Xerox employees are volunteering while being paid by Xerox. About 20 Xerox workers are engaged in the leave program at any one time, for up to a year. Xerox is also about to give away 100 reading machines for the blind, worth some $2 million. "There are tax advantages now to doing that and the nonprofit sector is well aware of that," says Xerox's Robert M. Schneider, vice president of public affairs. "We're getting a very sharply increased flow of requests for that kind of gift."

Palo Alto-based Hewlett-Packard Company has also noticed a rise in requests for equipment donations, specifically computers, partly in response to the new tax law. Hewlett-Packard reported $10 million in contributions last year, $7,500,000 of which was in equipment. The company has recently donated sophisticated computer systems to the San Francisco Symphony, the national Junior League, and the Foundation Center, among others. The company also places millions of dollars worth of computers and personnel at institutions of higher learning but, says Emery Rogers, executive director of the Hewlett-Packard Company Foundation, "that comes out of operating expenses, not philanthropy. They're entirely different subjects. It's a quid pro quo relationship. When we make grants there is no quid pro quo, we don't demand anything in return. When we provide equipment or personnel to universities we get back research that is useful to us. It's a very clear relationship. We pay for something and get something in return."

Although Hewlett-Packard does not try to follow up its equipment donations with cash or training services, Rogers notes that thanks to the passionate involvement in the community by the firm's founders, "volunteerism is infectious around here."

Products and personnel, of course, are not the only ways corporations can find to increase the effect of their cash donations, or to substitute for them. Syntex's Koch notes 15 ways for firms to contribute to the nonprofit sector without actually giving money.

For example, Syntex has used its printing facilities to help defray costs of producing newsletters and brochures for local nonprofit groups. Koch notes that a printing job that might cost $100 at a commercial print shop may cost only $75 to do in-house at Syntex. The firm can thus make a donation that is worth $100 but costs only $75.

Surplus equipment and supplies is another major resource that can supplement or substitute for cash. Equipment that has been fully depreciated by a company, such as computers, copy machines, office furniture, and lab equipment, can represent extremely valuable donations at little cost to the company.

For example, Chevron recently donated an electron microscope to the University of the Pacific's biology department. "The depreciated book value of these pieces of equipment is relatively small," says Robert K. Stone, assistant to the president. "However, if the school had to buy the equipment, it would be prohibitively expensive. The

19-year-old electron microscope, for example, is valued at $10,000 but would cost more than $100,000 if bought new."

Chevron's computer services department also recently donated a computer valued at $150,000 to California Polytechnic State University's computer science department. The computer, which has outlived its usefulness at Chevron, was originally priced at $2 million and might have cost even more than that had California Polytechnic been forced to obtain a new one.

Many large firms have found it more convenient to direct their surplus equipment donations through clearinghouses, such as the United Way, which pass them along to appropriate nonprofit groups.

Dena Goldberg, assistant manager for community relations at Foremost-McKesson Inc., notes that that firm is "trying to give as much away as we can rather than sell it." The company recently donated 16 old but perfectly useful desks to the San Francisco Zoo, and has also given drafting tables, books, typewriters, and other retired office equipment to San Francisco's Alamo Park High School.

Many large firms have found it more convenient to direct their surplus equipment donations through clearinghouses, such as the United Way, which pass them along to appropriate nonprofit groups.

Like Syntex, Foremost-McKesson will occasionally do printing jobs for nonprofit groups, as the firm recently did for the San Francisco Educational Services. And the company sometimes puts their information processing center to work for groups such as Junior Achievement, for which it recently did a job valued at $1,200.

Companies can also provide expert legal and tax advice to nonprofit organizations through their legal departments—services that would cost dearly on the open market. Short-term, low-interest loans by companies can often tide a nonprofit through difficult periods between grants. And companies can offer local groups the use of valuable meeting facilities on weekends or evenings when they are otherwise not in use.

Even such zero-cost programs as giving nonprofit groups access to company bulletin boards, or allowing groups to solicit volunteer help in company cafeterias, can be of enormous benefit, says Koch.

Many of these kinds of corporate assistance are now being provided by independent, nonprofit bureaus that draw their talent and resources from the private sector. Many firms that have no formal volunteer programs refer employees who wish to donate time to these local bureaus. The model organizations are the Support Centers in San Francisco and Washington, D.C., San Francisco's Management Center, and New York's Volunteer Urban Consulting Group. The New York group draws on at least 25 corporations that contribute management experts whose skills are provided to hundreds of nonprofit groups, including government agencies. Many of the firms that contribute personnel time to the organizations also help support them financially.

Hundreds of corporations are finding ways to help ease the crisis of nonprofit organizations, short of giving more money. Matching gift programs, loaned executives, employee volunteer grants—all are becoming common as U.S. corporations continue to define their social and community roles. Yet the relative rarity of corporations that have integrated the various ways of giving to increase the impact of their donations is surprising.

American capitalism, after all, grew powerful by virtue of its ingenuity. The time has come, perhaps, for more corporations to expend some of that ingenuity in meeting social responsibilities. As Control Data's William Norris puts it: "Unless the free enterprise system can adequately address our country's pressing societal needs, it will either lose its license to operate—or will be squelched by the advancing deterioration in our quality of life."

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Corporate Philanthropy In Smaller Communities

By Eugene C. Struckhoff

Based on interviews with corporate and community leaders in three communities—Racine, Wisconsin; Winston-Salem, North Carolina; and Lorain County, Ohio—Struckhoff explores the strengths and weaknesses of corporate giving in smaller communities.

How do business corporations fulfill their role as responsible citizens in small communities where they have operations? What works for businesses that give and communities they seek to help, and what would work better? In an effort to answer these questions, interviews were conducted in November and December 1981 with 40 corporate officers and leaders of United Ways, Chambers of Commerce, and various charities in Racine, Wisconsin (population 173,000), Winston-Salem, North Carolina (population 132,000), and Lorain County, Ohio (population 275,000). Each community has a strong United Way, several charitable foundations, the reputation of having an active philanthropic sector, and a solid industrial base that includes a number of locally owned firms.

Perhaps nothing is as important in these areas as community spirit. Community spirit and cohesion were assessed as high in Winston-Salem, and good in Racine; they were thought to be lower than needed in Lorain County, where each city exhibits community spirit but there is not much cooperation among them, leaving the county as a whole fragmented.

The people of these places know each other as neighbors, coworkers, and customers, as members of the same churches, service and social clubs, fraternal orders, unions, teams, orchestras, parent-teacher associations, and community groups. They believe they can make their communities work if they will just work for their communities. Business shares this spirit; companies contribute in order to further the strong sense of community that sustains these places. Through their grants they seek to build a community that is tranquil, harmonious, productive, and prosperous, the kind of community that works for them as employers and entrepreneurs. Stanley Pijor, president of Lorain National Bank, said as much in his reason for donating much of his time and his bank's reason for giving more than 5 percent of its net pre-tax profit: "If this community doesn't make it, this bank doesn't make it."

A lifelong resident of Lorain, Pijor had a pocketful of cards of prospects to be seen to urge support for various local charitable facilities, such as hospitals and homes for the aged, under the tax levy system that exists in Lorain. (Ohio counties and municipalities may, with the approval of residents, levy a small tax on real property to support named charitable institutions, such as clinics and homes for the aged.) In all three places surveyed, the business leaders who were interviewed carried solicitation cards for the annual United Way drive

Work for the community in these smaller places is more than an incidental activity; local pride, spirit, and expectations make such activities a way of life for managers of local businesses. Indeed, local plant managers for major corporations headquartered elsewhere were unanimous in saying that their companies encourage all managers to participate in community life and to support philanthropic enterprises of benefit to the community.

Work for the community in these smaller places is more than an incidental activity; local pride, spirit, and expectations make such activities a way of life for managers of local businesses.

The effect of community spirit on corporate giving was made plain by a plant manager assigned by his company to a plant it had recently bought in Racine. He noted that his company would be giving proportionately more in Racine than at its other sites because of the patterns, traditions, and expectations in that city. He commented that his company's earlier acquisitions had been in larger towns, where it had never had such a "high degree of community exposure."

Eugene C. Struckhoff, direct service consultant of the Council on Foundations, is a former president of the council.

United Way Campaigns

The same plant manager reported that 75 percent of his grant budget in the previous year was directed to the Racine United Way. United Way has become a community tradition—and traditions work in smaller communities. Each business is expected to bear its fair share of the cost of supporting the many agencies combined under the United Way umbrella. Businesses support United Way with cash contributions, payroll deduction programs, in-plant orientation and solicitation meetings, and sometimes with loaned executives.

Spurred by several local businesses, annual United Way drives in the several cities and sections of Lorain County were combined into one campaign in the early 1970s. The single, countywide drive makes United Way one of the few cohesive forces in that otherwise divided county, with its several cities and population centers.

In Racine, S.C. Johnson & Son Inc., Twin Disc Inc., Modine Manufacturing Company, and a number of other locally owned companies began matching the United Way contributions of their employees many years ago. Most Racine plants acquired by outside companies have continued to match their employees' contributions, for in a small city it is difficult to reverse a well-established tradition of such visible benefit to the community.

It is in the interest of all businesses that those who have committed themselves to matching programs fulfill their commitment; therefore, pressure from business peers helps matching programs to work. Matching also works because it encourages employee giving. When S.C. Johnson & Son matches the gifts of its 2,600 employees, the Racine United Way receives almost $750,000. The sum contributed is significantly higher if the costs of loaned executives and reduced production during plant solicitation are added to the cash contribution.

Because of matching, corporations account for 47 percent and their employees for 53 percent of business sector contributions to the Racine United Way. In Lorain County, where matching is not practiced, 20 percent of businesses' contributions to the Lorain County United Way come from corporations, 80 percent from their employees. Clearly, matching is a program that works for the community, the participating corporations, and the United Way.

Although there has been criticism of the United Way in large cities, the long-standing alliance between business and the United Way in these smaller communities remains firm and does much for the health and welfare of residents. The United Way formula appeals to business and promises to endure in these three communities because it works.

Local Corporate Leadership

In Winston-Salem, in Lorain County, and in Racine, corporate philanthropy succeeds because of the strong leadership of home-town industries. In Winston-Salem, the tobacco company founded by R.J. Reynolds in 1875 is now a conglomerate with worldwide operations and more than $11.7 billion in sales. By long tradition, the company is a significant contributor to each major community effort in Winston-Salem. It has shared that leadership with the locally headquartered Wachovia Bank and Trust Company, with the textile firms founded in Salem by the Hanes family, and with other home-town businesses.

Over the past few years, it is this group that has led the effort to build a $9 million center for the performing arts designed to revitalize Winston-Salem's downtown. Although national corporations with operations in Winston-Salem are contributing to the center and to other charitable enterprises, the initiative and leadership for major undertakings comes from companies with headquarters in Winston-Salem, especially those founded there, and from the families and foundations associated with those firms.

"When an owner lives here and raises his children here, his interests are here," said Robert Bowman, president of Lorain County Savings & Trust Company. Bowman was explaining the high degree of philanthropic leadership by owners of local businesses, which is in sharp contrast to that offered by companies with out-of-town headquarters. The Nordson Corporation, the Nord family, and the Nordson Foundation have been a major force behind many improvements in Lorain, the most recent of which is the construction of a county mental health center.

In Racine, similar support and leadership have been exercised by the privately owned S.C. Johnson & Son and the Johnson family. One of the many examples of the Johnsons' philanthropic initiative is the Prairie School, a day school with more than 500 students. For S.C. Johnson & Son, the Prairie School is an investment in self-interest as well as community spirit; a private school helps attract and keep in Racine the scientists, members of other professions, and executives that the company needs.

Not all local owners of home-town businesses are charitable leaders. However, the experience in Winston-Salem, Racine, and Lorain County does encourage the belief that in every community some owners of local businesses will be both charitable and leaders. Their initiative and contributions help the community work and encourage out-of-town corporations with local operations to contribute their share to community improvement.

Company and Community Foundations

The companies with the strongest records of leadership in these three communities use foundations to achieve various philanthropic objectives. They view giving as a structured function to which the company should pay as much attention as it gives its profit-making departments. They also recognize that a foundation ensures a steady flow of funds to community enterprises in years when company profits are down.

In Lorain, the president of a manufacturing company that has lost money for two years regrets that the firm did not, in earlier profitable years, create a foundation; he notes ruefully that his company is currently giving much more than 5 percent of its pre-tax profit, because it has no profit. Nonetheless, his company believes it necessary to

The companies with the strongest records of leadership in these three communities use foundations to achieve various philanthropic objectives.

continue responding to community expectations by giving to United Way and other local agencies at levels close to those of profitable years.

Many people spoke hopefully of the initiative of the Nordson Foundation in creating the Lorain County Community Foundation in 1981. The Nordson Foundation, with help from the corporation, has agreed to match other gifts to the community foundation up to a total of $500,000.

In Racine, former officers and owners of the locally founded Western Publishing Company Inc. (since acquired by Mattel Inc.), have combined to create the Greater Racine Community Foundation. The group has provided the foundation with start-up money to challenge additional contributors in the community.

In Winston-Salem, a community foundation with an endowment of $26 million shares with business the cost of sustaining the charitable, educational, health, and cultural agencies that serve Winton-Salem. And in nearby Charlotte, banks and other businesses use that city's community foundation to direct more than $600,000 annually to community agencies.

Coordinated Campaigns

The success of community foundations can be partly explained by the tax benefits a foundation offers to business. Another advantage lies in the fact that foundation staff can investigate grant applications and follow the use of granted funds, largely relieving donating corporations of these responsibilities. A community foundation also serves as a convenient channel for donated capital, and can play a significant role in scheduling and coordinating fundraising drives.

Such coordination can be successful in smaller cities, as was recognized by the business leaders who selected the Winston-Salem Community Foundation to staff a campaign coordinating committee to schedule capital drives in that area. The committee ensures that each agency that intends to raise funds will not compete with other campaigns and that its drive will have the best chance it can for success. John Mitchell, former administrator of charitable contributions for S.C. Johnson, describes the function of a similar committee in Racine as "lining up the ships to go through the locks one at a time." In both Racine and Winston-Salem, this system works to the benefit of the soliciting agencies, business givers, and the community.

The large contributions that business makes to local charities, and the high stake it has in how those funds are used, make campaign coordination a logical object of attention from the business sector. It is surprising that local businesses have not sought to come together to find equally effective solutions in the furtherance of other philanthropic interests.

Other Forms of Commitment

Businesses in smaller cities are at their best when they give products, lend executives, and share their expertise to provide jobs, training, and other help in addition to making money grants. That kind of business commitment adds to more than the sum of its parts, and it does work.

In December 1981, John G. Medlin Jr., president of the Wachovia Bank in Winston-Salem, announced a commitment of $100,000 to strengthen computer instruction at Winston-Salem State University, a division of the University of North Carolina with a predominantly black enrollment. The bank will back up its dollars by offering internships at the bank for the college's students, and bank personnel will teach computer classes on campus. The students will get better jobs, the city will have improved educational services, and local business will have the trained labor force it needs.

After racial unrest in 1967, major businesses in Racine founded the Racine Environment Committee to counsel young members of minority groups, award scholarships to them, and provide summer jobs and employment after graduation. Several participants in this project singled it out as among the most forward-looking of their grant programs. It succeeded and endures in large part because businesses have communicated and cooperated to sustain the program. Communication within business about philanthropy works. Unfortunately, there is only limited evidence of such communication among businesses in small cities.

Businesses in smaller cities are at their best when they give products, lend executives, and share their expertise to provide jobs, training, and other help in addition to making money grants. That kind of business commitment adds to more than the sum of its parts, and it does work.

Cooperation is sometimes called forth by a community problem of major proportions, such as the decline of the downtown business section. Winston-Salem has turned to the philanthropic sector for relief, relying on private and public grants to revive its downtown by building a $9 million center for the performing arts and a $7 million complex to house cultural agencies, artists, craftsmen, and space for exhibits. The originators of this plan are confident that it will restore the old business district and add to the quality of life for the city's residents—which will be good for businesses based in Winston-Salem. Only by communicating and cooperating can business leaders, businesses, and the foundations they support aspire to such large results.

Out-of-town Firms and Local Giving

Why does Winston-Salem have a more highly developed philanthropic sector than Racine, and why does Racine have a stronger philanthropic sector than Lorain County? Each sector succeeded in proportion to the nature, number, and wealth of home-town businesses, and leadership exercised by the founders of those businesses and by the foundations they created. The era of home-town patrons is, however, passing; a growing number of local businesses are acquired by large corporations whose headquarters are elsewhere.

National corporate acquisitions rose 27 percent in 1981 over 1980. More than 4,300 companies changed ownership in those two years. In Winston-Salem, Racine, and Lorain County, at least a dozen significant acquisitions have recently taken place. Corporations such as Consolidated Foods Corporation, Ashland Oil Inc., Mattel Inc., Emerson Electric Company, Evans Products Company, Tenneco Inc., and Corning Glass Works have acquired locally headquartered companies, such as Hanes Corporation and Integon Corporation in Winston-Salem, Harris Metals Company and Western Publishing Company in Racine, and Lorain Products Corporation and Ridge Tool in Lorain County.

The business and philanthropic leaders interviewed expressed uncertainty, tinged with apprehension, about how the steady transfer of businesses from local to out-of-town ownership will affect their communities. As more local companies are bought out and more outside businesses are brought in, will corporate response to local needs diminish? One corporate officer reflects, "My boss longs for the good old days when he and a number of other founders of local companies split 85 percent of the cost of a project and let others pick up the rest. Now those other home-grown industries are gone because they have been bought out."

Absentee corporate owners are suspected of assigning too little grant money to outlying plant sites, lacking formulas for allocating grant funds fairly to such places, and giving too little discretion to local managers. Another concern is that there may be no meaningful communication by community leaders with those who make the decisions at corporate headquarters.

Most out-of-town companies that acquire facilities in a community want to learn about its philanthropic needs and concerns, and local companies already there want to tell the new companies about them. However, in the three communities in this study, businesses have not developed organized ways to communicate with each other about local philanthropy or to take collective action.

In some places, such as Lorain County, banks serve as centers of communication about community giving. However, business as a whole needs a forum to discuss its local philanthropic agenda. The "2 percent clubs" and similar associations that have been formed recently in Kansas City, Missouri, Louisville, Kentucky, Seattle, and other cities are evidence of this need. But more issues should be considered by local business associations than a target level of giving. A partial agenda of such questions includes the following:

- What capital improvements in the community deserve priority consideration?
- How can business help call forth broad public support of community organizations?
- How can business encourage and use liberalized federal and state tax incentives?
- How can businesses attract support for local projects, as Lorain County businesses have helped to attract to their county the $10 million, state-supported Lorain County Community College?
- How can business reduce the costs and increase the productivity of local private service agencies?
- How can established businesses tell newcomers about community needs, and how can each new business be encouraged to assume its fair share of the cost of community improvement?
- How can corporations encourage the formation and growth of community foundations, to prevent the loss of local funds to outside charities and to supply business with more partners in giving?

These ideas suggest a larger range of items that corporations that reside in a community should consider. To find and exploit what works for each community, to mend what is not working, and to find new ways of making local corporate philanthropy work better, corporations should undertake formal ways of communicating, coordinating, and cooperating among themselves.

Cooperation with Other Grantmakers

By Judith K. Healey

In an effort to handle corporate contributions more effectively and to respond to community needs, more and more corporate grantmakers are turning to cooperation with others of their kind. Healey surveys such forms of cooperation as luncheon groups and regional associations of grantmakers.

Cooperation among corporate grantmakers, building on the shared concern that is traditional in many U.S. cities, is becoming more widespread. The strengthening of this tendency to work together is associated with a movement toward the formation of regional grantmakers' associations and an increasing emphasis on the use of professional staff. It is also marked by diversity.

Corporate philanthropists can cooperate in many ways, the oldest of which is typified by the time-honored corporate lunch. People involved in corporate contributions may gather to discuss issues or, in some places, specific projects that are applying for funds. One such group, the Chicago Corporate Discussion Group, is at least 18 years old; its informal meetings attract up to 45 people concerned with community needs. The group has no staff—the program each year is set by a chairman, whose office rotates regularly among the members.

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New York City's Corporate Advisory Group was founded in 1955 as an informal group of contributions officers of corporations and corporate foundations. They meet regularly to exchange information concerning such topics as research results, trends in corporate philanthropy, and contributions policies and procedures. The group is led by a steering committee with a chairman, vice chairman, and other officers. A similiar group exists on the West Coast in the Corporate Contributions Roundtable, whose 50 or so members from the San Francisco Bay area meet regularly at informal luncheons.

In many cities, such as Detroit, Seattle, and Minneapolis, this long-standing informal sharing has been encouraged by the Chamber of Commerce. The Greater Detroit Chamber of Commerce sponsors the Business Contributions Committee, which involves about 25 corporate philanthropists or giving officers. The committee meets monthly to hear a speaker, usually a grantseeker, explain his or her program. Occasionally this group will lunch on site to get a first-hand view of the project under consideration. Only individual programs may be presented, and no direct solicitation is allowed during the meetings, which are primarily informational. All members of the Chamber of Commerce who are involved in corporate giving may join the committee.

The Greater Seattle Chamber of Commerce sponsors a similar committee under the purview of its Council on Social Responsibility. From time to time the council holds day-long seminars to help keep corporate giving officers informed about current events. Often these seminars are directed to chief executive officers, with afternoon sessions being devoted to the practical applications needed by staff. Sessions have included topics such as "How to Involve Employees in Giving" and "How to Improve Communication Between the Corporation and the Community" on giving programs. The effect of federal budget cuts on corporate giving is expected to dominate this year's discussions.

The Minneapolis Chamber of Commerce has an active group called the Business Action Resources Council (BARC), composed largely of managers responsible for public affairs departments, corporate social responsibility issues, and corporate philanthropy. Philanthropy is becoming a frequent topic at the BARC meetings because of recent reductions in public funding for nonprofit groups.

An uncommon spirit of cooperation is evinced by the fact that Tom Beech, director of the Minneapolis Community Foundation, and Jacqueline Reis, the executive director of the Minnesota Council on Foundations, are

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regular members of BARC. All three groups sponsor occasional seminars and other activities that encourage sharing among corporate givers. The BARC has also led in encouraging corporations to give 2 percent or 5 percent of their pre-tax profits to charitable causes. Similar efforts to support increased giving have begun in the San Francisco Bay area and in Birmingham, Alabama; Louisville, Kentucky; Kansas City, Missouri; and Phoenix, Arizona.

Cooperation Through Associations

Many regional associations of philanthropic groups have been formed in the past 10 years. The Tax Reform Act of 1969 spurred private philanthropy to organize in earnest, largely to defend itself from further legislative restrictions. The association movement was led at first by private foundations, which formed city, state, or regional organizations to help develop cooperative efforts. Gradually, most regional associations came to spend most of their time encouraging communication among funders and between funders and the public; more and more corporations have found it useful to join in this effort.

The activities of associations are helpful to corporate givers as well as private philanthropists. The benefits of membership may include access to major libraries, as is true for members of Boston's Association of Grantmakers in Massachusetts and Chicago's Donor's Forum. Regular meetings offer informational sessions about community needs and current projects in the community. Many area associations conduct research on giving programs to be used in public information materials, hold annual meetings of significant size and attendance, or allow members access to computerized data collections. Corporate members form substantial minorities, and occasionally majorities, in a number of regional associations. Boston's Association of Grantmakers in Massachusetts has 38 members, 17 of them corporate. In Chicago, 80 of 140 members of the Donor's Forum are corporate. The Minnesota Council on Foundations has 44 corporate members of a total of 109.

A fortuitous side effect of the association movement has been the exchange of information and the cooperation among foundations and corporate givers. Everything from joint information presentations to the joint funding of projects has come about through the regional associations. The Association of Grantmakers in Massachusetts has a special sector, the Corporate Roundtable, that addresses the needs of corporate philanthropists. The group identifies currently pressing issues for corporate members, such as matching gifts, budget limits, and employee involvement in matching giving. Even the old problem of what to do with corporate tickets to charitable events comes up for discussion.

At the Donor's Forum in Chicago, the special needs of newer corporate staff receive attention. The Forum offers a kind of basic training in a two-year program for people who are new to grantmaking; a typical group numbers 20 to 25 people and meets 4 or 5 times a year. The Donor's Forum also reaches out past the greater Chicago area in the Midwest Corporate Group, a regional organization that offers information sharing and other services to corporate grantmakers in the small cities near Chicago. The very active Donor's Forum library receives nearly a thousand requests for information a year from members. The librarians at the Forum estimate that more calls are from corporate members than from any other group of members.

In St. Louis, corporations were instrumental in organizing the Metropolitan Association for Philanthropy (MAP), and today account for 36 of the 44 members. In addition to the member roundtables, MAP sponsors special group meetings of corporations on a variety of programmatic and processing concerns.

Probably the most significant service MAP offers, which is not common to regional associations, is the preparation of reports on area nonprofit organizations. Corporate members have come to rely on these evaluations, and even refer potential grantees to MAP so that an evaluation can be prepared.

Cooperation Through Community Foundations

Another means of cooperation for corporate grantmakers is working with or through community foundations, which have long served as links among corporate givers. In Minneapolis, for example, a department of the Minneapolis Foundation provides staff work for corporate contributions committees without full-time staff. Community foundation staff investigate projects and prepare recommendations on various community projects for interested corporations under a long-term contract.

Of singular significance is the Corporate Special Projects Fund of the New York Community Trust, begun in response to the city's fiscal crisis of 1977. The Trust provides staff work for the fund, while corporations provide the dollars to support its contributions. Eight corporations now each contribute $25,000 annually to this fund. Funding decisions are made by a committee of representatives of the contributing corporations.

Many community foundations maintain joint funds to meet emergency needs. The Minneapolis Equal Opportunities Fund of the Minneapolis Community Foundation is one such fund. It serves two purposes: it supports some long-range planning projects, such as a recent study done by the City of Minneapolis on the Minneapolis police department, and it also provides emergency grants for those in immediate need. In addition, community foundations around the country are attempting to assess the effect of current budget cuts on community needs. The Saint Paul Foundation and the Minneapolis Foundation recently undertook a major study, in partnership with other community philanthropists (largely corporate foundations), on the impact of those budget cuts in the St. Paul area.

Emergency and Joint Funds

The development of emergency funds is a prime example of a new, basic cooperation among corporate givers. San Francisco has one of the oldest funds, established in 1973. This organization, now called the Emergency Loan Fund, was originally housed in the United Way; however, it has become independent and is now in the process of incor-

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poration. Foundations and corporations contribute to the Emergency Loan Fund, which has taken on new importance in this time of increasing difficulty for nonprofit groups. Unlike some other loan funds, Emergency Loan Fund assistance is not limited strictly to help with cash flow problems caused by delayed government payments but also is designed for organizations that have suffered an abrupt cessation of funds. The Fund's grants or loans carry no interest or low interest. A pool of $600,000 to $700,000 made possible the distribution of more than $1.3 million in 1980.

The Minnesota Cash Loan Assistance Fund, established to provide assistance with cash flow for nonprofit organizations that were suffering because of delayed government payments, is administered by the Minneapolis Foundation. In Chicago, the emergency loan fund of the Donor's Forum is administered by the Community Renewal Society. Forty-six members of the Donor's Forum, two-thirds of them corporate members, contribute to this $200,000 fund. In Boston, the fiscal agent for the loan fund is the Association of Grantmakers in Massachusetts.

Other joint funding projects have appeared around the country. The Greater Chicago Food Depository, begun by Beatrice Foods Company, has grown rapidly in the past few years. A number of corporations contribute to this depository, which then takes surplus food from major companies and distributes it to food outlets in the Chicago area. In Boston, the Coordinated Summer Funding Process is sponsored by the regional association, which develops funding objectives, reviews proposals, and recommends levels of funding for the process. The funders, largely corporations, receive all proposals and choose the projects to which they prefer to make contributions.

The way in which corporations cooperate in funding joint projects varies. In some cases the community foundation helps bring projects that need funding from a number of sources to the attention of corporations. Sometimes a nonprofit group will itself take the initiative in completing its budget with contributions from a variety of corporations. Yet another approach is being tried by the Carnegie Foundation, which is developing a corporate liaison program. The purpose of Carnegie's effort is to define a major problem, and then to bring corporate funders into a discussion of those projects that could respond to the problem. It is hoped that new, coordinated initiatives directed to major social problems will be developed.

In these days of public meetings and information exchange programs, it is surprising that some luncheon groups do not wish their meetings to be public knowledge. However, even where there is a desire for such privacy, the motive is responsible and concerned. The new wave of corporate philanthropy is much more attuned to cooperation in serving community needs than ever before.

It is difficult to generalize about the trend toward cooperation on the part of corporations, but it can be said with certainty that corporations are cooperating in new ways. The old issues of competition are clearly secondary to the desire to respond to community needs and to handle corporate contributions more professionally. In an effort to meet these two goals, corporations are sharing information, exchanging ideas, and talking with community representatives in ways previously unknown.

Cooperation with the Public Sector

By Marilyn W. Levy

Levy explores common patterns of involvement in public/private partnerships, conditions that encourage successful joint programs, and possibilities for future growth of such cooperative arrangements.

The problems that many communities face today cannot properly be assigned to either the public or the private sector for solution; they belong to both. There is a growing appreciation of the possibilities offered by a partnership between the public and private sectors in meeting community needs, of the advantages of joint efforts in solving community problems. Moreover, studies of the development of such joint ventures suggest that they have key elements in common, elements that can be identified and used by other communities in the melding of public and private resources into more effective patterns.

Partnerships vary from small and simple projects to large and complex arrangements, from private actions taken for the public benefit to joint business ventures with

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public agencies. Successful partnerships share at least three characteristics:

- Participants share a sense of concern, articulated as specific goals;
- Clear benefits (broadly defined) are expected by both business and the community; and
- Some mechanism for giving continuity to the cooperative effort is agreed on.

The building of a partnership has two stages, goal-setting and operations. If a community develops organized, regular ways of agreeing on specific goals, the chances of continued cooperation are substantially improved. Without such organizations, communication between the sectors is likely to be informal, sporadic, and relatively ineffective.

The largest, and probably the oldest, U.S. model of urban consensus and action is Goals for Dallas, which dates from 1964. A group of prominent citizens, business leaders, and public officials became the center of a continuing outreach effort involving more than 100,000 people in neighborhood gatherings and planning committees. The project's umbrella now shelters 17 task forces comprising 100 organizations responsible for implementing specific plans designed to achieve some 200 civic goals.

Partnerships vary from small and simple projects to large and complex arrangements, from private actions taken for the public benefit to joint business ventures with public agencies.

Key individuals from each sector must be identified and asked to join in exploring problems of concern to the community. Participants in joint meetings should analyze and discuss chosen problems from the perspective of each partner; only then can specific roles and commitments be negotiated.

In many cases, such understandings have been reduced to formal agreements; in others, a letter or handshake has been sufficient. For example, the recently created Denver Partnership Inc. is a nonprofit policy organization providing guidance for two operating corporations focused on the physical redevelopment of downtown Denver. However, in Kansas City, Missouri, city officials and the 100 business and professional leaders who form the Civic Council cooperate informally—and very effectively.

Patterns of Involvement

There is no one formula for successful partnerships between the public and private sectors. Currently, local governments supply most public sector partners. With federal funding incentives shrinking rapidly or disappearing, the concurrent shift of responsibility to state and local governments suggests that the state role in collaborative efforts will expand. States may, for example, increase their commitments of financial resources and offer tax incentives, regulatory changes, and related service support to encourage such ventures.

However, experience indicates that the participation of local government—city, county, and special districts—is central to such efforts; local governments have been most innovative and capable in partnership responses to local needs. For corporations considering collaborative efforts, local public agencies appear to be both necessary and preferable as partners in public/private joint ventures.

A partnership project may originate in either the private or the public sector, each of which has special tools and resources at its disposal.

Government agencies at various points in the system can spur cooperation through various means, including:

- Financial incentives. The 1982 federal commitment of $325 million under Title VII of CETA for private sector job training and placement programs has resulted in major business involvement in Private Industry Councils in more than 100 communities.

- Administrative commitments of internal staff and funds. The staff of the St. Louis, Missouri, partnership program (who are members of the staff of the St. Louis public schools) help teachers in 80 public schools formulate their ideas for curriculum enrichment, then locate willing experts from the 72 firms, 3 professional associations, and 4 universities that participate in the program.

- Regulatory changes. The New York State Legislature has authorized "business-improvement districts," subject to local government approval. If 51 percent of merchants in such a district agree to assess themselves additional taxes, the city will collect the taxes and return them to the merchant group to be used for such services as better lighting, sanitation, and street improvements.

For its part, business can catalyze collaborative efforts in many ways, of which the following is only a sample. Business can offer:

- Monetary contributions. The Cummins Engine Company Inc. has long encouraged excellence in the design of public buildings in the company's home town of Columbus, Indiana. When the city decides that a new building is needed, Cummins makes funds available for the fees of nationally noted architects.

- Loan of expertise and facilities. A number of Washington, D.C., corporations, led by Marriott, Control Data, and General Motors, have made extensive commitments of staff time, equipment, and funds to the public school system to develop high school career training programs in hotel management, engineering, finance, communications, and computer sciences.

- Use of corporate prestige. The members of the Greater Baltimore Committee, credited with spurring the revitalization of central Baltimore, committed their firms to individual civic improvement projects that were approved by a majority of the committee.

- Corporate investment. For example, local neighborhood housing services (initiated by the federally supported Neighborhood Reinvestment Corporation) bring together financial institutions, local governments, and homeowners to reverse the decline of residential neighborhoods. The commitment of local lending institutions to make all bankable loans (that is, those acceptable by normal banking standards) and avoid redlining is a key step in initiating the collaboration.

Neighborhood organizations may choose to seek partners in local projects. For example, the Longfellow Neighborhood Homes Association of Kansas City, Missouri, began the transformation of an unsightly empty lot to a neighborhood park. Planning, funding, and implementation were arranged under a three-party agreement among Hallmark Cards Inc., the Kansas City parks department, and the association. Neighborhood groups in a number of places have sparked collaborative efforts to renovate housing, revitalize commercial districts, improve the delivery of local services, and support day-care arrangements and programs for the elderly.

Nonprofit organizations, such as foundations and civic leagues, can serve by providing an acceptable forum for the joint exploration of the possibilities of cooperation. For example, the Cleveland Foundation has consistently acted as broker in bringing business leaders, public decision-makers, and foundations and other nonprofit groups together in collaborative ventures.

The use of organizations as intermediaries between government and the private sector is growing. These groups provide a common background of information, training, and assistance to government, corporations, and local organizations, especially important in communities where cross-sector links are not well developed. For example, the U.S. Conference of Mayors Triangular Partnership program, begun with support from the Charles Stewart Mott Foundation and the U.S. Department of Housing and Urban Development, draws together city officials and members of business and neighborhood organizations to develop specific projects in which each partner has an equity investment position and relatively equal responsibilities. Another group, Partners for Livable Places, provide technical assistance to 30 communities to spur collaborative projects intended to attract tourists and new business investment by creating a more appealing urban environment.

The use of organizations as intermediaries between government and the private sector is growing. These groups provide a common background of information, training, and assistance to government, corporations, and local organizations, especially important in communities where cross-sector links are not well developed.

Collaborative Growth

Interviews conducted by SRI International in 1979 with 45 corporate chief executives and contributions managers attested to their belief that a creative mix of corporate investment and operations policies, including loaned expertise and facilities, was substantially more helpful in community endeavors than money alone.

For those who doubt the wisdom of such involvement, internal evaluation of a corporation's commitments in terms of their effect on employee morale, community pride, the local economy and the company's image could provide a "scorecard" of explicitly stated benefits to the corporation's board and stockholders. Such an evaluation could document and justify partnership activities as sound business practice, as an effort to strengthen markets by strengthening communities.

Local, state, and federal government agencies have often joined private firms and nonprofit groups in selected special projects. But these efforts have generally been sporadic and uneven. The concerted, systematic development of collaborative public and private ventures on a broad scale would be a new venture in this country. Such a change cannot take root, however, without understanding and respect within each sector for the interests, concerns, and limitations of the other. Merely seeking to substitute corporate dollars for federal grants in the name of partnership would destroy this new potential for constructive cooperations.

A recent report by the Committee for Economic Development, *Public/Private Partnerships,* argues forcefully that adaptability will be needed by both sides if cooperation is to be effective. The report warns that although this approach will not fill the void left by federal domestic cutbacks, those communities that are willing to join together in partnership arrangements to address local need will be at a growing advantage in the years ahead.

Future

- The Attitudes and Motivations of Chief Executive Officers
- Policy Options for the Level of Giving
- A Research Agenda for Corporate Philanthropy
- Policy Suggestions from the Nonprofit Sector
  - Federal Budget Cuts and Future Challenges
  - It's Colder and Deeper Over There
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The Future of Corporate Philanthropy in America

The Attitudes and Motivations of Chief Executive Officers

By Arthur H. White and John S. Bartolomeo

In the first study of its kind, Yankelovich, Skelly and White Inc. interviewed 219 chief executive officers to determine their attitudes toward corporate philanthropy. White and Bartolomeo report that corporate giving remains relatively underdeveloped in most companies, although the study suggests a promising future.

In November 1981, the Council on Foundations approached Yankelovich, Skelly and White Inc. with a challenging assignment—to determine the attitudes of chief executive officers (CEOs) of major corporations toward corporate philanthropy.

This study is the first of its kind. Although other research has audited corporate giving practices and developed basic information on attitudes toward corporate philanthropy, none has gathered in-depth attitudinal information from CEOs themselves. This study examines several issues. It assesses the basic climate of opinion regarding corporate philanthropy, determines CEOs' goals for corporate giving, and examines the process by which giving decisions are made as well as current giving practices. It also supplies projections of future giving and of the factors that CEOs claim could increase or diminish corporate giving in the future.

The focus of the study is cash giving because this is the principal form of corporate philanthropy. The large array of noncash giving practices was left largely unexplored in the survey. Thus, whenever a reference is made to corporate philanthropy or corporate giving, it should be construed to mean cash giving.

A few words on methodology are in order. Interviews were conducted with 219 CEOs. Approximately one-third are CEOs of Fortune 1300 companies; a third are from companies with annual sales of $50 million to $100 million (hereafter referred to as intermediate-sized companies); the rest are from companies with $25 million to $49 million in annual sales (hereafter referred to as smaller companies). As such, the sample represents the major business enterprises in the United States, collectively accounting for about 90 percent of all profits earned in the past fiscal year. Interviews were conducted in person by Yankelovich,

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Skelly and White staff and members of the Senior Council. The Senior Council is a unique group of interviewers, many of them former business executives, who are specially trained to conduct in-depth interviews with leadership groups.

The survey indicates that corporations are more generous than conventional wisdom suggests, and that there is much untapped potential for increased giving. However, the survey also suggests that maximizing the effectiveness of business contributions will require new approaches to organization, communication, and education.

The survey indicates that corporations are more generous than conventional wisdom suggests, and that there is much untapped potential for increased giving.

Level of Cash Giving

Many who believe that corporations have yet to achieve their enormous potential as donors point to earlier studies that indicate that 65 percent of all companies with a positive income fail to make cash contributions to nonprofit organizations. Although this figure may be accurate, it is also open to misinterpretation.

Approximately 90 percent of the companies represented in the survey made cash contributions to nonprofit organizations in the past fiscal year, and virtually all of these companies claim a history of giving (see Tables 1 and 2). These companies account for the bulk of the profits in this country and are those most able to give. The nongivers (the 65 percent cited above) tend to be small companies with relatively modest incomes—those least able to give.

This information is both encouraging and chastening. On the one hand, it is satisfying to know that the most prosperous U.S. corporations have generally taken on the responsibility of giving to the third sector. But it also suggests that the potential for increased corporate giving is not as great as might be assumed by projection from the fact that two-thirds fail to give.

How much do these companies contribute in cash and cash equivalents, such as securities? On average, Fortune 1300 companies made cash contributions of 1.1 percent of their total pre-tax net income. Companies of intermediate size gave 1.3 percent of their pre-tax income. The smaller companies contributed 1.7 percent of pre-tax income.

It should be noted that the generosity of these companies is partly hidden from public view. Most estimates of the level of corporate cash giving to nonprofit organizations are derived from Internal Revenue Service (IRS) returns. Yet 38 percent of these companies do not report all of their contributions as charitable giving, choosing instead to report part of them as other types of legitimate expenditures. This tendency is especially pronounced among the largest givers in the Fortune companies (see Table 3). Thus, IRS data understate the level of cash contributions.

Moreover, 68 percent of these corporations also gave

Table 1
Incidence of Cash Giving

	Total	Size of Company: Fortune 1300	Intermediate[a]	Smaller[b]
Engage in cash giving	94%	100%	96%	82%
Do not engage in cash giving	6	0	4	18
Total	100	100	100	100

[a] $50 million to $100 million in annual sales.
[b] $25 million to $49 million in annual sales.

Question: During the most recent fiscal year, what was the total level of cash contributions that this company made to nonprofit organizations? Remember, your best estimate of the total amount, including matching gifts, the United Way, and so forth, no matter how you choose to report it to the IRS.

Table 2
History of Cash Giving

	Total	Size of Company: Fortune 1300	Intermediate[a]	Smaller[b]
History of giving	93%	97%	93%	90%
History of not giving	2	0	1	4
Don't know/ no answer	5	3	6	6
Total	100	100	100	100

[a] $50 million to $100 million in annual sales.
[b] $25 million to $49 million in annual sales.

Questions:
Among Givers: Has it typically been this company's history to make cash contributions to nonprofit organizations or was this last year an exception?
Among Nongivers: Has it typically been this company's history not to make cash contributions to nonprofit organizations or was this last year an exception?

Table 3
Method of Reporting Charitable Giving

Size of Company:	Total	Fortune 1300		Intermediate[a]		Smaller[b]	
		Give less than 1%	Give 1% or more	Give less than 1%	Give 1% or more	Give less than 1%	Give 1% or more
All/virtually all reported as charitable giving	57%	69%	36%	60%	62%	57%	64%
Most reported as charitable giving	31	19	56	28	26	30	33
Some reported as charitable giving	4	0	0	3	6	7	0
None reported as charitable giving	3	0	5	3	6	3	0
Don't know/no answer/give nothing	5	12	3	6	0	3	3
Total	100	100	100	100	100	100	100

[a] $50 million to $100 million in annual sales.
[b] $25 million to $49 million in annual sales.

Question: Some companies have told us that, when they make cash gifts (or give cash equivalents, such as securities) to nonprofit organizations, they do not necessarily report them to the IRS as charitable giving, but instead report them as another type of legitimate expenditure, say public relations. What is the policy in this company? Just read me the number from the card.

Table 4
Influence on Level of Cash Gifts

Virtually Total/ Large Degree of Influence[a]	Total	Size of Company: Fortune 1300	Intermediate[b]	Smaller[c]
The CEO	81%	72%	86%	82%
Board of directors	21	17	26	19
Top executives at headquarters	19	16	23	18
Corporate giving staff	19	36	18	4
Top executive in other locations	13	16	15	9
Community members/ soliciting organizations	8	12	10	3
Shareholders	5	1	3	9
Employees	2	6	0	0
Total	100	100	100	100

[a] Rating of "5" or "4" on a 5-point scale, where 5 = virtually total influence and 1 = no influence.
[b] $50 million to $100 million in annual sales.
[c] $25 million to $49 million in annual sales.

Questions: Using the scale on this card, how much influence would you [the CEO] personally have on the total level of cash contributions given to nonprofit organizations? How much influence does each of these groups have on the current level of this company's cash giving to nonprofit organizations? Please read me the number from the scale on the card.

noncash gifts of products, services, real estate, and equipment. This adds important, and hitherto unrecognized, support to business' claim that it is quite generous to the third sector.

The Corporate Giving Process

How do companies make decisions about their philanthropic efforts? Who sets priorities, and how are they set? The study identifies three overarching characteristics of the decisionmaking process:

- The CEO is most important in corporate giving decisions, but other prominent corporate figures also play key roles. Groups outside the corporation have a minor impact on these decisions.
- Corporate giving is an expression of enlightened self-interest. It is generally not regarded as a form of public policy or as a surrogate for government programs.
- Corporate giving is a relatively underdeveloped function in most companies.

A better understanding of these three characteristics is key to improving the corporate giving process.

By and large, corporate giving efforts are a response to the desire of prominent corporate figures to make contributions. The CEO is by far the prime mover, especially in intermediate-sized and smaller companies.

The CEO: Listening to Voices Within

By and large, corporate giving efforts are a response to the desire of prominent corporate figures to make contributions. The CEO is by far the prime mover, especially in intermediate-sized and smaller companies. But the board of directors and other top executives also have more than a certifying, assenting role. They have an effect on both the level of giving and the decisions regarding the organizations that are to receive gifts (see Tables 4 and 5).

Indeed, it seems fair to say that commitment at the very top of the organization is the key to whether and how a company gives. Table 6 underscores the crucial role of the CEO's commitment in heightening the level of cash giving. There is an interesting correlation between the CEO's personal commitment to corporate giving and his or her other involvement in the community and personal giving to charity. In a word, the committed CEO is likely to express public-spiritedness in a number of ways (see Tables 7 and 8).

This does not mean, however, that corporate giving is animated by "do-goodism" or by a desire to cast the corporation in the quasi-governmental role of systematically addressing community needs. On the contrary, groups external to the corporation play a relatively modest role in shaping the character and influencing the level of corporate giving programs. This point has already been suggested in Tables 4 and 5, in which community groups and soliciting organizations are cited as having some, but not a great, role in these decisions. It is conveyed with even greater force when one cross-tabulates the CEO's perceptions of community needs by the corporation's level of giving. There is virtually no relationship between the two; large contributors are no more responsive to perceived external need than are small contributors (see Table 9).

The development of an active and generous corporate giving function depends on powerful voices within the corporation. It follows that corporate giving is a form of enlightened self-interest, not social engineering.

Enlightened Self-interest

The purpose of corporate giving is to assist those in need in a manner consistent with larger corporate objectives. At best, CEOs regard corporate giving as a rather incomplete substitute for government-sponsored social programs; at worst, as an inappropriate stand-in for those programs. This conclusion is based on an analysis of the individuals who influence corporate giving decisions, as discussed above, as well as on more direct evidence regarding the goals and beneficiaries of corporate philanthropy.

CEOs clearly state that the goals of their corporate giving efforts are a mixture of helping others and helping

Table 5
Influence on Selection of Recipients

Virtually Total/ Large Degree of Influence[a]	**Total**	**Size of Company:**		
		Fortune 1300	**Intermediate**[b]	**Smaller**[c]
The CEO	68%	42%	77%	87%
Corporate giving staff	17	35	14	5
Top executives at headquarters	16	16	16	16
Top executives in other locations	11	16	12	6
Board of directors	9	4	12	11
Community members/ soliciting organizations	9	13	11	4
Shareholders	3	1	0	7
Employees	1	3	0	1
Total	100	100	100	100

[a] Rating of "5" or "4" on a 5-point scale, where 5 = virtually total influence and 1 = no influence.
[b] $50 million to $100 million in annual sales.
[c] $25 million to $49 million in annual sales.

Questions: Still using this same scale, how much influence would you say (you) (the CEO) personally has in deciding which organizations receive these contributions? How much influence does each of these groups have on which organizations receive these cash gifts? Again, just read me the number.

Table 6
Average Cash Contributions by Level of CEO's Commitment

	Size of Company:		
	Fortune 1300	**Intermediate**[a]	**Smaller**[b]
CEO's level of commitment:			
High	1.1%	1.5%	2.0%
Low	0.4	0.7	1.3

[a] $50 million to $100 million in annual sales.
[b] $25 million to $49 million in annual sales.

Question: During the most recent fiscal year, what was the total level of cash contributions that this company made to nonprofit organizations? Remember, your best estimate of the total amount, including matching gifts, the United Way, and so forth, no matter how you choose to report it to the IRS.

Table 7
CEO's Community Involvement by Commitment to Corporate Giving

Community Activity	Total	CEO's Commitment to Corporate Giving: Extremely Committed	Very Committed	Modestly Committed
Very active	36%	53%	39%	20%
Somewhat active	37	26	41	40
Slightly active	16	4	14	26
Not at all active	10	13	6	14
Don't know/ no answer	1	4	0	0
Total	100	100	100	100

Question: Would you say you are very active in the community, somewhat active in the community, slightly active in the community, or not at all active in the community?

Table 8
CEO's Personal Giving by Commitment to Corporate Giving

	Total	CEO's Commitment to Corporate Giving: Extremely Committed	Very Committed	Modestly Committed
Give a great deal	49%	57%	53%	37%
Give some	47	37	46	59
Give little or nothing at all	2	2	0	4
Don't know/ no answer	2	4	1	0
Total	100	100	100	100

Question: What about your own personal level of giving to nonprofit organizations? Would you say that, personally, you give a great deal, give some, or give little or nothing at all?

Table 9
Needs of Community by Level of Giving

Great or Substantial Need[a]	Total	Level of Giving (Percent of Pre-tax Income): Less than 1%	1% to 1.4%	1.5% to 2.4%	2.5% or more
Economic development	55%	56%	52%	56%	55%
Better health services/ facilities	22	19	24	30	21
Better educational services/ facilities	32	36	30	26	41
Better public recreational services/ facilities	23	22	26	18	21
Better social service other than those just mentioned	31	36	30	33	24
Better cultural facilities	19	19	14	19	24
Total	100	100	100	100	100

[a] Rating of "4" or "3" on a 4-point scale, where 4 = great need and 1 = little or no need for the service mentioned.

Question: To what degree would you say that this community is in need of economic development? Better health services/facilities? Better educational services/facilities? Better public recreational services/ facilities? Better other social services? Better cultural facilities?

their companies. Thus, about 7 in 10 claim to be motivated by a desire to help the needy in the communities in which their company has facilities and by a desire to do what is ethically correct. Two out of three also emphasize improving local communities in order to benefit their own employees and protecting or improving the environment in which to work and do business. Then, too, about a third hope to improve their company's public image, and about a quarter expect that their corporate giving efforts will result in increased revenues or profitability and in an enhanced ability to recruit employees of high quality. The more self-interested goals are especially important to CEOs of Fortune 1300 companies, which account for the lion's share of cash contributions (see Table 10).

A further indication of the goals of corporate giving relates to the way funds are allocated. Of all dollars that are given to organizations other than the United Way, the vast majority go to local or regional organizations in the headquarters site of the company or other sites in which the company has plants or locations. Only about 15 percent of dollars not given to the United Way are allocated to organizations with a national reach.

It seems, then, that corporations are generally distributing their gifts close to home, in part to derive maximum benefit for themselves. In addition, education is the principal beneficiary of corporate contributions, trailed by health, arts and culture, and social welfare (see Table 11).

Why does education receive such a large share of corporate contributions? The factors underlying education's large share illustrate the motives and character of corporate giving. A corporation can only benefit from a good relationship with the academic community. Universities train the talent that many corporations hope to recruit and house a segment of the public whose general approval is important for the functioning of business. Supplementing these self-interested objectives is the fact that corporations have substantial competence to evaluate educational institutions and projects—and certainly more competence than they generally have to evaluate, say, a social welfare project. Futhermore, contributions to education are typically noncontroversial and, as is often mentioned, many prominent corporate citizens once studied at recipient schools.

Giving: A Relatively Underdeveloped Function

Most giving programs are relatively underdeveloped corporate functions. There is insufficient information available to corporate givers on important matters; there is often a lack of formal structure or a highly professional staff; and behavior is more reactive than pro-active.

About a third of the CEOs interviewed claim that they are unaware of the giving activities of other companies in their community and peer companies in their industry (see Tables 12 and 13). This makes it difficult to establish external criteria to evaluate one's own giving efforts. In addition, about a third confess limited

Table 10
Importance of Corporate Giving Goals

Extremely/Very Important[a]	Total	Size of Company: Fortune 1300	Intermediate[b]	Smaller[c]
Help needy in communities in which company has locations	73%	81%	67%	70%
Do what is ethically correct	68	70	70	65
Improve communities in which employees live, thus, provide benefits to employees	65	77	60	58
Protect/improve the environment in which to work and do business	63	77	55	59
Improve the public image of the company	33	41	32	28
Increase revenues, profitability	25	25	26	25
Enhance ability to recruit quality employees	25	41	18	18
Respond to external pressures that can't be ignored	24	22	23	28
Help to offset federal budget cutbacks	22	28	23	15
Respond to internal pressures from prominent people within the company	15	14	11	21
Alleviate the tax burden on the company	12	12	14	11
Help sell products/services	11	7	10	17
Respond to internal pressures from employees	7	9	3	8
Total	100	100	100	100

[a] Rating of "5" or "4" on a 5-point scale where 5 = an extremely important goal and 1 = not a goal at all.
[b] $50 million to $100 million in annual sales.
[c] $25 million to $49 million in annual sales.

Question: Here are some possible goals of corporate cash giving to nonprofit organizations. Using the scale at the bottom of the card, tell me how important each goal is to you/this company. Just read me the number from the scale.

knowledge of the tax provisions that apply to cash contributions to nonprofit organizations (see Table 14). This knowledge gap is especially unfortunate, because those who are most familiar with the tax laws are more inclined to evaluate them as a strong incentive to give (see Table 15).

In a number of companies, special staffs or foundations have been established to administer the corporate giving program. Yet this kind of formality or professionalism is concentrated in the Fortune 1300 companies.

Moreover, CEOs' descriptions of the activities of these corporate giving staffs and foundations indicate that they play a largely reactive role. It is rare to find a program that includes systematic methods to assess either corporate or community needs.

The underdeveloped quality of the corporate philanthropy function is partly a consequence of the more general character of corporate giving as the domain of the CEO and as an expression of corporate interests. This does not mean that the situation is immutable; many CEOs emphasize their interest in strengthening their company's ability to give more efficiently.

Corporate Giving Tomorrow

The future of corporate giving looks promising. If events continue on their present course, about 6 in 10 of the companies studied plan to increase their philanthropic contributions over the next few years. About a third anticipate a constant level of giving (in real dollars, adjusted for inflation) and virtually none expect to decrease their giving (see Table 16). Among those that project increases,

Table 11
Organizations Receiving Highest Amount of Cash Gifts

Type of Organization	Total	Size of Company: Fortune 1300	Intermediate[a]	Smaller[b]
Education	47%	56%	35%	47%
Health	18	10	21	22
Arts and culture	15	16	17	12
Social welfare	12	9	18	10
Economic development	2	1	3	1
International	1	0	1	3
Conservation and environment	*	1	0	0
Recreation	*	0	1	0
Other	1	0	0	4
No answer	4	7	4	1
Total	100	100	100	100

[a] $50 million to $100 million in annual sales.
[b] $25 million to $49 million in annual sales.
* Less than 1 percent.

Question: Focusing now on cash giving to nonprofit organizations, other than the United Way, to which of the following do you make the highest amount of your cash contributions?

Table 12
Perceived Giving Practices of Other Companies in Same Community

Most Other Companies	Total	Size of Company: Fortune 1300	Intermediate[a]	Smaller[b]
Give about the same as this company	26%	36%	23%	21%
Give less than this company	29	31	32	22
Give more than this company	9	12	8	8
No comparable companies	3	4	0	5
Don't know	33	17	37	44
Total	100	100	100	100

[a] $50 million to $100 in annual sales.
[b] $25 million to $49 million in annual sales.

Question: Regarding cash giving to nonprofit organizations, would you say that most other companies in this community that are about the same size as your company give more, give less or give about the same as this company?

Table 13
Giving Practices of Other Companies of Same Community

Most Other Companies	Total	Size of Company: Fortune 1300	Intermediate[a]	Smaller[b]
Give about the same as this company	23%	26%	22%	21%
Give less than this company	33	33	33	32
Give more than this company	5	9	4	4
Don't know	39	30	41	43
Total	100	100	100	100

[a] $50 million to $100 in annual sales.
[b] $25 million to $49 million in annual sales.

Question: Regarding cash giving to nonprofit organizations, would you say that most other companies in this industry of approximately the same size as your company give more, give less or give about the same as this company?

the average real dollar increment is estimated to be 28 percent for Fortune 1300 companies, 27 percent for companies of intermediate size, and 25 percent for the smaller companies in the sample (see Table 17).

Thus, corporate giving is likely to increase in the future even if no special efforts are made to stimulate corporate generosity. (There is one very important qualification to this projection: three-quarters of CEOs claim that a drop in profits beyond that associated with the current recession would cause a significant decrease in their philanthropic efforts.) Yet a laissez-faire posture need not be assumed; the study does suggest strategies for increasing corporate giving. Among these are the following:

The future of corporate giving looks promising. If events continue on their present course, about 6 in 10 of the companies studied plan to increase their philanthropic contributions over the next few years.

- Better communication with boards of directors. Board members have substantial potential to increase corporate giving. Forty-five percent of CEOs (and 51 percent of Fortune 1300 CEOs) claim that desire on the part of their board members to contribute more would almost certainly yield that result. This finding is consistent with the overall character of corporate philanthropy, which is more inner-directed than outer-directed.
- Better communication about tax law. As already indicated, there is incomplete knowledge of salient tax law, yet those who are familiar with the tax law are more likely to appreciate its benefits to the corporation.
- Further analysis of the benefits of corporate giving. Corporate givers are substantially motivated by self-interest, but the precise ways in which corporations benefit from philanthropic activity are not fully apprehended or documented. Most current reporting is limited or anecdotal, and there is virtually no comprehensive, systematic method of reporting or evaluation. Consideration should be given to the establishment of a management information system for corporate philanthropy. Such a system would represent a real advance in the formalization, codification, and professionalization of corporate giving—an essential next step for corporate philanthropy.
- Greater formalization and professionalization of the giving function. A management information system is a specific manifestation of a more general need, namely that the corporate giving function be improved and more closely integrated with line management activities. The study suggests that this is an especially pressing need among intermediate-sized and smaller companies.

This improvement and integration will almost certainly be difficult to implement. Further integration must be based on the premise that corporate philanthropy is similar to other business functions that yield a return for the corporation. Even if the CEO and other prominent corporate figures are persuaded of the value of corporate giving, there will remain a need for information and tech-

Table 14
Familiarity with Tax Laws Applying to Cash Contributions

Familiarity	Total	Size of Company: Fortune 1300	Intermediate[a]	Smaller[b]
Extremely familiar	14%	16%	12%	13%
Very familiar	47	46	55	42
Subtotal	61	62	67	55
Somewhat familiar	32	30	29	35
Not too familiar	6	3	4	10
Not at all familiar	1	5	0	0
Total	100	100	100	100

[a] $50 million to $100 million in annual sales.
[b] $25 million to $49 million in annual sales.

Question: And, more specifically, how familiar would you say you are with the tax laws as they apply to cash or cash equivalent (e.g., securities) contributions to nonprofit organizations or corporate foundations?

Table 15
Perceived Incentive of Tax Laws by Familiarity

Degrees of Perceived Incentive	Extremely Familiar	Very Familiar	Somewhat Familiar	Not too Familiar
Great incentive	17%	3%	6%	0%
Substantial incentive	30	22	16	0
Subtotal	47	25	22	0
Some incentive	23	35	47	34
Slight incentive	13	24	19	41
No incentive	17	16	12	25
Total	100	100	100	100

Question: And, on balance, how much of an incentive is created by these tax laws for this company to engage in cash giving to nonprofit organizations?

Table 16
Projected Level of Cash Giving by Company Size

Future Giving Will:	Total	Size of Company:		
		Fortune 1300	Intermediate[a]	Smaller[b]
Increase	64%	75%	62%	54%
Remain the same	32	22	34	39
Decrease	4	2	4	6
Don't know, no answer	0	1	0	1
Total	100	100	100	100

[a] $50 million to $100 million in annual sales.
[b] $25 million to $49 million in annual sales.

Question: Assuming that things continue pretty much on their present course, use this scale to tell me your best prediction for the future level of cash giving for this company. When I say "future" I mean the next one to three years. We're interested in real dollar increase, so please adjust for inflation.

Table 17
Increase in Cash Giving over Current Levels[a]

Increase	Total	Size of Company:		
		Fortune 1300	Intermediate[b]	Smaller[c]
1% to 5%	12%	10%	16%	11%
6% to 15%	29	31	26	29
16% to 25%	11	12	7	16
25% or more	26	25	27	26
Don't know/ no answer	22	22	24	18
Average (among those responding)	27	28	27	25
Total	100	100	100	100

[a] Calculations do not include companies without a projected increase in contributions.
[b] $50 million to $100 million in annual sales.
[c] $25 million to $49 million in annual sales.

Question: When you say (significantly) (somewhat) increase, what percentage (over) the current amount do you have in mind?

nical assistance on how best to establish a formal, professional corporate giving function that is integrated into the company. Technical assistance might be provided through various channels; for example, large corporations that already have well-developed giving functions might make their staffs available for consultation. The government and major business schools might also help by sponsoring training programs, seminars, and so on.

- Refinement of mechanisms. The mechanisms for needs assessment in both the corporation and the community should be refined. Internal surveys might be conducted on a regular basis to identify areas of need as they relate to corporate self-interest. Community needs assessment efforts could also be mounted; local foundations or business consortia might underwrite these studies. The results could be shared with all companies in the area to provide a systematic and coordinated basis for allocating funds.

While undertaking these and related tasks, it is important to recognize the limitations of corporate philanthropy and the growth strategies that will not work. Corporate executives probably will not answer the Reagan

Table 18
Potential Impact of Various Outside Groups on Corporate Giving

Extremely/ Very Likely that Corporate Giving Would Increase	Total Companies	Size of Company		
		Fortune 1300	Intermediate[b]	Smaller[c]
Increased pressure from our customers	8%	2%	6%	10%
Increased pressure from elected officials	5	6	4	4
Guidelines set by industry groups	5	6	3	5
Increased pressure from suppliers/ vendors	1	1	1	0

[a] Ratings of "5" or "4" on a 5-point scale where 5 = extremely likely and 1 = not all all likely.
[b] $50 million to $100 million in annual sales.
[c] $25 million to $49 million in annual sales.

Question: Here is a list of things that some companies have told us might prompt them to increase their level of cash giving to nonprofit organizations. Thinking realistically and candidly, tell me how likely it is that this company would increase its level of cash giving over and above the level you have just forecast for the next one to three years if each thing on the list were to occur? Just read me the number of your rating from the scale at the bottom of the card.

Administration's call to play a significant role in filling the gap created by federal cutbacks. For one thing, they lack the resources—a fact that was documented well before this study was conducted. The study adds further cause for skepticism about the Administration's approach: the inner-directed nature of corporate giving would have to be radically altered if the Administration's hope were to be realized. The CEOs studied indicate resistance to pressure exerted by outsiders of almost any type—customers, suppliers and vendors, and industry groups, as well as elected officials (see Table 18). Some CEOs expressed resentment that the Administration is asking them to shoulder responsibilities that they believe rest with government.

But skepticism about the Reagan Administration's expectations should not lead to pessimism about the future of corporate philanthropy. Instead, the study promotes optimism about the future and provides valuable guidance in charting a course to more generous and effective corporate giving programs.

It seems, then, that corporations are generally distributing their gifts close to home, in part to derive maximum benefit for themselves.

The full study, Corporate Giving: The Views of Chief Executive Officers of Major American Corporations, *is available from the Council on Foundations.*

Policy Options for The Level of Giving

By John Pierson

Determining how much a company spends on giving and how that figure compares with the contributions of other companies is a difficult task. Pierson describes the complexity of measuring levels of giving, including the varying determinations of eligibility to join the 2 percent or 5 percent clubs.

Though the mills of Ronald Reagan and Lawrence Wien grind slowly, they grind exceeding small.

"Give more," growl the millstones.

"How much more?" pleads the corporate giver.

An orderly answer to that question requires a company first to learn how much it is giving to charity now and how that figure compares with the contributions of other companies. Then, keeping in mind peculiar factors that might influence a particular company's giving—big firm in a small town, for example—the corporate giver may want to set a goal. One commonly accepted goal is to raise giving to 1 percent of income. Some cities have established "2 percent clubs" or "5 percent clubs" to encourage firms to set their sights even higher.

Sounds simple. Yet the business of measuring how much business gives to charity—absolute dollars, ability to pay, one company versus another—is fraught with complexity, enough to discourage even the biggest-hearted corporate giver.

"There is no good, single measure of corporate giving that's universally applicable to all companies at all times," declares Hayden W. Smith, senior vice president for research of the Council for Financial Aid to Education. "Everybody wants to use a number that makes it easier for them to look good," he adds.

When asked how much it gives, chances are a company reports one number to the tax man, another to its

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shareholders, a third to the Conference Board, and a fourth to the local 2 percent club.

To the Internal Revenue Service (IRS), a firm reports what the tax code makes deductible: charitable gifts of cash and the dollar value of donated property, usually goods or equipment. Corporations aren't supposed to take a charitable deduction for a number of items that are arguably part of charity: the salaries of executives loaned to, say, the United Way, in-kind services provided to charitable groups, costs of administering the giving program, forgone returns on loans at less than market rates, inner-city investments, the cost of job training for school dropouts, and so on. While some of these can be deducted elsewhere on the corporate tax return, as business expenses, they never show up in any figures on charitable giving obtained from the IRS.

The business of measuring how much business gives to charity—absolute dollars, ability to pay, one company versus another—is fraught with complexity, enough to discourage even the biggest-hearted corporate giver.

Besides the tax man, the other great surveyor of corporate philanthropy is the Conference Board. Every year, with the help of the Council for Financial Aid to Education, the Board questions several hundred corporations about their giving; in 1981, 786 responded. Although only a fraction of the more than 2 million corporations that file tax returns, the Conference Board's sample nevertheless accounts for close to one-third of all corporate giving.

Although the Board's figures, like those of the IRS, count tax-deductible contributions of cash and property, there are important differences in timing. In making out their tax returns, corporations deduct contributions they make to their charitable foundations. In filling out their Conference Board questionnaires, they include gifts from their foundations to charity. The two numbers are seldom the same; when business is good, foundations usually get more from their corporate parents than they give to charity, and in bad years they give more than they get.

Similarly, the tax code limits the amount of charity a company may deduct each year, but allows corporations to carry over excess deductions for use in later years. Thus, some of what a company reports to the IRS may include contributions from an earlier year, while excess contributions made in the current year won't be counted until later. Unlike the IRS, the Conference Board isn't interested in carryovers—it wants to know how much went to charity in the current year.

No one knows by how much the Board's numbers differ from those supplied by the IRS, but in response to the 1980 survey, 30 percent of companies said the amount reported to the tax man differed from that reported to the Conference Board.

Another layer of confusion comes from the 2 percent and 5 percent clubs. Minneapolis formed the first 5 percent club in 1976; two years later a 2 percent club was added. Since then, clubs have sprung up in at least eight other places: the San Francisco Bay area; Baltimore; all of Alabama; Kansas City, Missouri; Louisville, Kentucky; Phoenix; Seattle; and Norfolk, Virginia. The aim of the clubs is to prod companies into increasing their charitable giving and to recognize publicly those that do.

Each club, however, has its own way of toting up charity. Minneapolis, for example, counts cash, goods and equipment, full-time loaned executives, and administrative costs up to 30 percent of contributions. But some Minneapolis firms, such as Dayton Hudson Corporation, find it too hard to compute the value of loaned executives and don't count them. And the Greater Minneapolis Chamber of Commerce, which runs the clubs there, leaves it to each company whether to count dollars into its foundation or dollars out.

In contrast, the San Francisco area club doesn't count administrative costs but does count in-kind services; and it counts contributions to corporate foundations, not from them.

The more firms are pressed to increase their charitable contributions, the more likely they are to adopt the broadest possible definition of giving. "Larry Wien comes along, and companies dump everything and the kitchen sink into the pot," says Smith.

Many corporate givers want to know more than how much is in the pot. They want to know how the chowder compares—in quantity if not in quality—with Mrs. Murphy's down the street. Because small companies aren't expected to give as many dollars as big companies, some measure is needed that counts ability to pay. The common practice is to speak of charitable contributions as a percentage—but a percentage of what?

The ratio most commonly used is contributions as a percentage of pre-tax net income, either domestic or worldwide. But here again, confusion abounds. Companies congratulate themselves on setting a goal of 5 percent, by which they often mean 5 percent of pre-tax net. But this 5 percent club figure is often confused with the 5 percent limit that, until this year, the tax code set on corporate charity. The confusion lingers on, although Congress has raised the limit to 10 percent (effective in 1982).

The tax code lets corporations deduct up to 10 percent of what's usually described as "taxable income" but really should be called "expanded taxable income." In figuring its limit, a company is allowed to add back certain things to taxable income, including charitable contributions, certain dividends received or paid, any net operating loss that couldn't be used in a later tax year and had to be carried back to the current year, and, likewise, any capital loss that had to be carried back.

On the other hand, income should be as low as possible when it's time to figure taxes. A bank doesn't tell the IRS about income from tax-exempt bonds; an independent oil company deducts percentage depletion rather than cost depletion. If a firm makes capital outlays, it uses accelerated depreciation, not straight-line. And it's all in the interest of keeping taxable income low in the eyes of the IRS.

But shareholders see the world differently from tax men, and most companies want to show their shareholders as much income as possible. That's why a company gives its shareholders, the pre-tax net income figure, the figure the Conference Board asks for. It's the figure some (but not all) of the 2 percent and 5 percent clubs use to determine membership.

But the pre-tax figure must be constantly policed. Some companies aren't above measuring their giving against after-tax income, if that makes them look better. And, according to Smith, Cleveland companies had a brief flirtation with ratios based on taxable income.

In applying for membership in the Minneapolis 2 percent or 5 percent club, companies are asked to provide a hermaphroditic number called "pre-tax taxable income." Michael LaBrosse, urban development officer at the First National Bank of Minneapolis, says the language was "chosen consciously" to allow companies to pick whichever income number—taxable or pre-tax—they prefer. Most Minneapolis banks, including LaBrosse's, use taxable income, which omits income from tax-exempt bonds and thus provides a higher giving ratio than pre-tax income. Other companies, such as Dayton Hudson, use pre-tax income in applying for the clubs.

Vague definitions of income, like sloppy definitions of giving, make it hard to compare one company's charitable efforts with another's. They also tend to discredit the 2 percent and 5 percent clubs. But LaBrosse worries that any attempt to tighten the income definition could drive some members out of the clubs and hurt the cause of philanthropy. "It's kind of like looking at your marriage too hard," he concludes.

Many corporate givers want to know more than how much is in the pot. They want to know how the chowder compares—in quantity if not in quality—with Mrs. Murphy's down the street.

Once a company has determined its pre-tax net income and its charitable giving, its ratio can be figured. Say a company gave 0.45 percent of pre-tax net last year. How does that compare with Mrs. Murphy?

The 2.5 million corporations that filed federal income tax returns in 1979 gave about $2.4 billion to charity, including contributions to their foundations. Using U.S. Department of Commerce figures on worldwide pre-tax income of U.S. corporations, $255.4 billion, one gets an average giving ratio of 0.94 percent in 1979. The national average has hovered around 1 percent for the past two decades; thus, 0.45 percent is less than half the national average of corporate giving.

Don't despair; compared with the Conference Board's average, 0.45 percent looks healthy. The 786 companies surveyed by the Board gave an average of 0.50 percent of worldwide pre-tax net income in 1979 and 0.67 percent of domestic pre-tax net. The Board's ratios are lower than the national ratios because the Board's survey is weighted toward larger corporations. (As a corporation grows, its charitable giving usually grows in dollars but shrinks as a percentage of income.)

The Conference Board also charts giving as a percentage of sales and of assets and in dollars per employee. Because a company's income tends to follow the ups and downs of the business cycle, assets can provide a more stable base against which to measure giving.

Most companies, however, are less interested in how their giving compares with all companies, or with 786 companies, than in how it compares with others of the same size or industry. To meet this need, the Conference Board also figures giving ratios for companies grouped into 24 industry classes. In 1979, giving ranged from a high of 1.94 percent of domestic pre-tax net among rubber and plastic makers to a low of 0.31 percent among public utilities. The Board also lists contributions as a percentage of income or assets for companies grouped by income size, asset size, or number of employees. It breaks down many of these figures by averages, weighted averages, medians, and percentiles. The percentiles are useful in discovering whether a company is a leader, a follower, or just about average among its peers.

Armed with a company's figures and the latest Conference Board survey, anyone can become a ratio nut—and almost surely will, after going through all the possible combinations. Many firms, however, use things besides ratios when budgeting charity.

Warning: different ratios can produce widely different results. The Conference Board has calculated what hypothetical companies in different industries might give. The ratios used included contributions as a percentage of worldwide and U.S. pre-tax net income, with companies grouped by industry class, number of employees, and size of assets, and by what average and "leadership" contributions would be in each of these groups. Also calculated were what each firm would give if it gave as much per employee as the average for companies with the same number of employees, U.S. and worldwide, or as much as companies with the same assets, U.S. and worldwide, give as a percentage of their assets—14 ratios in all.

One hypothetical company, in the food-beverage-tobacco class, had domestic pre-tax income of $18 million and worldwide pre-tax income of $23 million, 6,500 employees at home and 8,000 employees worldwide, and domestic assets of $150 million and worldwide assets of $192 million. After figuring all its ratios, this firm could justify giving as little as $30,720 to charity or as much as $396,500. The high figure came from multiplying $61, which is the average sum given by firms with the same number of U.S. employees, times 6,500. The low figure came from multiplying 0.016 percent, which is the average percentage of assets given by firms with the same worldwide assets, times $192 million.

Armed with a company's figures and the latest Conference Board survey, anyone can become a ratio nut—and almost surely will, after going through all the possible combinations. Many firms, however, use things besides ratios when budgeting charity.

Although 59 percent of corporations surveyed by John J. Siegfried and Katherine Maddox McElroy use giving as a percentage of pre-tax net income, 29 percent use incremental budgeting ("how much did we give last year?"). More than two-thirds of the companies said the chief executive officer strongly influenced the total of corporate contributions. More than one-third cited the size of the company compared to the community (the big-frog-in-small-pond factor). Nor can a company based in a town such as Minneapolis, long a leader in corporate giving, ignore the customs of the town, although careful ratio-cination may suggest a different budget.

A company that suffers a loss may have to scrap its best-laid plans. International Harvester Company had hoped to raise its giving ratio from 0.87 percent of worldwide pre-tax net income in 1979 to 1 percent by 1984. But when the recession hit, Harvester had to slash its giving from $3.2 million in 1980, to $1.2 million in 1981, to a budgeted $0.7 million in 1982. The company just dropped its ratios and started cutting from the bottom up. Last year, Harvester eliminated all contributions except multi-year pledges and those to schools and to the United Way. This year, it dropped schools and reduced United Way. "If it gets worse, we'll have to drop United Way," says Edward L. Quinn, vice president of the International Harvester Foundation.

Finally, if ratios aren't everything, neither is money. In addition to its 2 percent and 5 percent clubs, Minneapolis has its Creative Community Projects Awards. One of the first winners was Rauenhorst Corporation, a designer-builder-developer. Rauenhorst won the award for giving at least one hour a week of each executive's time, plus 1/40th of gross earnings, toward solving a social problem (in this case, alcohol and drug abuse).

Although he stresses the "creative use of executive time," Gerald A. Rauenhorst isn't about to be beaten at the numbers game. Now that the tax code permits a deduction of up to 10 percent of expanded taxable income, Rauenhorst plans to increase his company's giving to 10 percent of pre-tax net income. Some corporate managers, even of 5 percent companies, might have trouble persuading their shareholders to go to 10 percent. Not Rauenhorst.

"Ten percent is pretty easy in my case," says Gerald Rauenhorst, "since I own the company."

A Research Agenda For Corporate Philanthropy

By E.B. Knauft

How much do corporations give? What is the character or pattern of giving? How are decisions made? What influences giving? How much should the public be told? Knauft suggests these areas of study as the basis for a research agenda.

What is the state of the art in corporate philanthropy? What changes occurred in the 1970s, and what can be expected in the 1980s? What is known about the amount and patterns of corporate giving and the factors that influence such giving? How are giving decisions made in a company, and what would it take to change the nature of these decisions? What is the potential for corporations to increase their philanthropic response to the social and economic problems facing this country? Answers to such questions would assist those responsible for corporate giving substantially by providing a base for improving the quality and quantity of corporate giving.

When embarking on a new activity, companies typically want to know what other firms are doing and what the characteristics of a program of high quality are. This principle undoubtedly applies to corporate giving, which is carried out largely at management's discretion. Furthermore, companies that have made a commitment to

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corporate philanthropy would benefit from knowing the state of the art; they could then proceed in a professional manner, learning from the experiences of others and avoiding false starts.

A limited amount of factual information is currently available to address the kinds of questions raised above. However, several areas within the field have been the subject of research. A brief overview of the current state of knowledge will serve as a point of departure for developing a research agenda for corporate philanthropy.

Overview of Current Research

The best-known research in corporate philanthropy is the *Annual Survey of Corporate Contributions*, conducted and published jointly by the Conference Board and the Council for Financial Aid to Education. These surveys, begun in 1945 and conducted annually since 1974, examine the dollar level of giving of 700 to 800 of the largest U.S. corporations. The data are divided by type of industry, and show contributions as a percentage of pre-tax net income for both domestic and worldwide corporate income.

The best-known research in corporate philanthropy is the *Annual Survey of Corporate Contributions*, conducted and published jointly by the Conference Board and the Council for Financial Aid to Education.

These surveys also show how the giving of respondent corporations is distributed by broad categories, such as health and welfare, education, culture and art, and civic causes. However, they do not give any information about the giving patterns of the several million corporations not among the Fortune 1300, and no data are available concerning the individual beneficiaries of corporate giving.

Thomas Vasquez reported on giving by the entire universe of U.S. corporations for the year 1970 in a study for the Commission on Private Philanthropy and Public Needs. An updated study of the same type, based on 1977 data made available by the Internal Revenue Service, has recently been prepared by Hayden W. Smith of the Council for Financial Aid to Education. Charitable contributions reported for tax purposes are cross-tabulated to show company size by assets and giving as a percentage of taxable income. These data tell nothing about the recipients of corporate giving, but they do provide a basis for comparing the amount of giving to company size for all U.S. corporations.

Some research has also been done on the administration of contributions programs in large corporations. Recent studies by Anne Klepper and Kathryn Troy of the Conference Board examine the organization of contributions activities, the number of full-time and part-time contributions personnel, and procedures typically followed in corporate grantmaking. These descriptive studies are helpful to the practitioner, but they offer very limited information about factors that influence corporate giving decisions.

Another avenue was followed in a study done by the Conference Board in the mid-1970s. Mail questionnaires were used to assess the attitudes of chief executives toward corporate public involvement, including corporate philanthropy. This was probably the only systematic attempt to tap senior executives' views on corporate giving until the 1982 study commissioned by the Council on Foundations (*see* "The Attitudes and Motivations of Chief Executive Officers," p. 102).

A very recent study by John J. Siegfried and Katherine Maddox McElroy relied on interviews with persons responsible for "normal philanthropy decisions" in about 200 large corporations in 14 metropolitan areas. This project attempted to assess the rationale for corporate contributions, identify factors that influence total corporate contributions, and pinpoint the organizational locus of decisionmaking about individual contributions.

With the exception of several privately published papers, largely historical descriptions of the field, there are probably no other major studies of corporate philanthropy.

Toward a Research Plan

Research in corporate philanthropy is so new that one is free to select almost any scheme or rationale on which to build a research agenda. The agenda presented here is a pragmatic one, oriented toward research that will help concerned corporations to begin giving or to expand and improve current programs. On a larger scale, one could consider corporate philanthropy as a public policy issue; of course, this results in quite a different plan of research.

The agenda suggested here assumes that the first necessary step is the development of an inventory of research projects or ideas. The inventory will then aid in identifying possibilities that are most readily researched and whose results will be most useful to the practitioner. The agenda is divided into five categories:

- Measures of the output or quantity of corporate giving;
- Measures of the character or pattern of giving;
- Understanding the decisionmaking process;
- Factors influencing corporate philanthropy; and
- Communications issues.

Measures of the Output or Quantity of Corporate Giving

A fundamental research question concerns the definition of corporate giving or corporate philanthropy. For the purposes of this discussion, broader aspects of corporate public involvement are excluded. Examples of such involvement include employees who work for nonprofit groups on company time, employees loaned to nonprofit groups or local government, loans or investments that do not meet normal business requirements, special training programs, and the use of company facilities by nonprofit organizations.

Although these are important kinds of corporate involvement, it is difficult, if not impossible, to assign a dollar value to each activity in a manner that permits a valid comparision to be made between companies. This exclusion still leaves a large area of corporate giving within which precise measurements and accurate comparisons are possible.

One such area is the measurement of gifts of cash, property, and products that are reported as tax-deductible for federal income tax purposes. Generally no distinction is made among these three categories, but a separate analysis of each would be useful. For example, product contributions may be relatively significant in some industries, such as pharmaceuticals and foods, but not in others. A useful analysis might ask questions such as:

- What is the proportion of the value of product contributions to the value of all contributions as a function of industry classification?
- Who receives product contributions?
- What is the rationale for product contributions?
- What is the influence of that rationale on the total level of a company's contributions?

Accurate research could also be done on payments that could qualify as charitable contributions, but are charged as business expenses. For example, a company may choose to treat substantial support of a public television program as an advertising expense, not as a contribution. Such an expenditure will not be counted as a contribution in a conventional survey. Also overlooked are payments to organizations that have not received tax-exempt status from the Internal Revenue Service, but which are, for all practical purposes, similar to many charitable organizations (and not engaged in lobbying).

A most useful product of research would be the definition of an appropriate index or ratio to show a company's contributions in terms of its size or "ability" to make contributions. The most frequently used index is dollars contributed as a percentage of pre-tax net income, which may be defined as the company's worldwide income or as domestic income. Research could examine this ratio, and other possible ratios or measurements, and identify the most valid index. One consideration, for example, is the time period used in computing the index. Because a company's profits may fluctuate widely from year to year, the average of the previous three years' pre-tax net income may provide a more stable base for calculating the ratio of giving than the current year's.

Measures of the Pattern or Character of Giving

As noted, the survey conducted by the Conference Board and the Council on Financial Aid to Education collects data on the recipients of corporate giving only in the broad categories of health and welfare, education, culture and art, civic causes, and miscellaneous. This leaves unanswered many questions about a company's actual pattern of giving. It would be useful to obtain other information on giving patterns, such as:

- The extent to which grants are made to organizations that are not typical recipients of corporate philanthropy;
- The extent to which grants are made for purposes not related to business interests, or even in conflict with short-term business interests.
- Which (and what kinds of) grants are made in corporate headquarters and which in other company locations;
- Grants made to national organizations not directly related to any company locations; and
- Grants made for capital construction or endowment purposes, compared with grants made for core support for an organization, compared with grants made in support of a specific project.

A prerequisite for such analyses is the development of a taxonomy of grants that would enable the researcher to identify the key characteristics of each grant.

Understanding the Decisionmaking Process

One of the least understood areas about corporate philanthropy is how decisions are made, who makes them, and most importantly, what rationale underlies the decisions. These questions challenge a researcher, because a questionnaire may not elicit accurate information. Professionally conducted interviews with appropriate individuals are required.

Once well-documented data on rationales are collected, it is possible to determine whether a company's rationale actually makes a difference to its giving program. Public statements of rationale can be correlated with motivational data and with such measures as the company's dollar level of giving, the pattern of its giving, the degree of professionalism in the giving program, and the extent to which policies and priorities are actually followed.

Analysis of the decisionmaking process should consider both the nature of the decisions and the locus of decisionmaking. The nature of decisions falls into three categories:

- Decisions of how many dollars to give each year and the methods by which this figure is reached;
- Decisions about priorities in giving; and
- Decisions about individual grants or contributions.

With respect to the locus of decisions, the involvement of each of the following persons or entities in each of the three types of decisions should be examined: the board of directors of the corporation; a committee of the board of directors or of the company foundation; the chief executive officer and other senior managers; an internal management committee; the individual in charge of the contributions function; and other members, if any, of the contributions staff.

Two additional aspects of corporate operations suggest fruitful research topics in corporate decisions as they affect the contributions function. The first is the relationship between the company's contributions function and its planning function. To what extent does the company's strategic plan influence the rationale and goals of the contributions program? To what extent does the contributions staff share in developing the company's strategic plan?

The second possibility is the application of cost/benefit analysis to philanthropy. Although the benefits of corporate giving may be difficult to measure numerically, management has every right to ask for evidence justifying the cost of contributions. The cost/benefit approach has

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been applied creatively to a number of corporate staff functions; here, it could begin with an examination of the ratio of administrative costs to output and an analysis of the worth of individual grants measured against predetermined objectives.

Factors Influencing Corporate Philanthropy

Many factors may influence the amount and character of a company's giving, and it would be useful to measure their effects. A suggested list of these factors includes the following:

- Effects of tax laws and regulations;
- Corporate profit level;
- Size of the company, with particular emphasis on companies with less than $100 million in annual sales;
- Effects of industry classification or type;
- Effects of giving behavior of other companies in the city where corporate headquarters are located, including the presence of 2 percent or 5 percent giving clubs;
- Existence of a corporate foundation; and
- Shareholders' influence, both for and against.

Communications Issues

There has recently been a trend toward the public disclosure of giving activities by some of the larger companies. One possible area of research involves an analysis of this trend, a documentation of the content of such public reports, and an assessment of the reaction to them by such groups as employees, shareholders, grant recipients, and the public. Another area is the extent to which the decision to publish a report affects the articulation of contributions policies and priorities. A supplementary question is the extent to which such reports elicit more contributions requests, especially in areas publicized as being of special interest to the corporation.

As more corporations endorse and apply the concept of corporate public involvement, there is an increasing need for applied research in corporate philanthropic practices.

A related question concerns the attitudes of the various constituencies of corporate philanthropy toward the subject in general and their knowledge of the field. One constituency is the general public. The lack of information in that sector is suggested by one recent national survey's finding that the average person believes 10 cents of a company's sales dollar goes for charitable giving. More detailed research into the public's attitudes and expectations about corporate giving should provide a basis for more effective corporate communications.

A second constituency is formed by the recipients of corporate philanthropy, and a third by unsuccessful applicants for funding. An examination of the reactions of these constituents would probably help to stimulate increased corporate awareness of the need for greater openness and accountability in contributions operations.

Summary

As more corporations endorse and apply the concept of corporate public involvement, there is an increasing need for applied research in corporate philanthropic practices. If the results are effectively communicated, they will go far in aiding companies to begin or to expand and improve their giving programs. This information will be useful to companies of all sizes; it will be especially helpful to medium-sized firms, which have not been the subject of significant research up to the present time.

Policy Suggestions from the Nonprofit Sector

Federal Budget Cuts And Future Challenges

By Pablo S. Eisenberg

In a time of serious economic stress and shifting government responsibilities, corporations must reexamine their priorities for giving to ensure that they are consistent with the public needs of today. Eisenberg suggests corporations look to the needs of those with low incomes and the disadvantaged, and work more closely with each other and with the nonprofit sector.

The recently issued report of the Conference Board, *Business Voluntarism, Prospects for 1982*, should lay to rest some of the myths about corporate philanthropy that have appeared in the wake of the massive cuts in the domestic federal budget.

The study indicates that corporate contributions are not likely to increase substantially this year despite the withdrawal of federal responsibility for social programs. More significantly, the Conference Board found little evidence that corporations were prepared either to change their existing priorities or to add new categories for priority assistance. More recent information and subjective impressions tend to confirm the findings of the Conference Board's report.

In other words, most corporations plan to continue their philanthropic activities as they have in the past. Corporations traditionally have channelled almost all of their contributions to established institutions in education, health, the arts, culture, and some social services. They have ignored or neglected low-income and minority organizations, women's groups, neighborhood and community organizations, senior citizens' groups, and advocacy projects aimed at protecting civil rights and guaranteeing opportunities for self-help and development.

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Much of corporate giving to date has been characterized by conventional grantmaking, a lack of innovation, and the absence of risk. The drive for membership in 2 percent or 5 percent giving clubs has prompted some corporations to focus more on the amount of money contributed than on the quality of their grantmaking.

The domestic crisis created by the federal budget cuts stems specifically from their effect on those disadvantaged constituencies and nonprofit organizations that have historically been overlooked by corporate philanthropy. When the budget reductions were first announced, a number of established nonprofit organizations rushed proposals to corporations and foundations requesting support for cultural, artistic, educational, or health programs that were slated for cuts. Many of them were funded, while less established organizations representing disadvantaged groups with fewer resources either could not submit proposals or could not get them funded.

The initial response of corporate philanthropy, then, has been not only to perpetuate the existing pattern of

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giving but actually to widen the gap between the have and have-not nonprofit organizations. It has tended to reinforce, not soften, the impact of the federal budget decisions on the nation's low-income and disadvantaged citizens.

Reexamining Philanthropic Priorities

In the long run, the most destructive effect of the budget cuts may be the harm they will do to the human infrastructure of impoverished communities. For the past 20 years, community programs and organizations have provided disadvantaged persons with leadership opportunities that were not available elsewhere. They have been the ladders to success in business, politics, and education; they have been the bridges that linked economic classes and racial and ethnic groups. Without these organizations and leadership opportunities, poor communities are likely to become more disorganized and chaotic to lose their supply of strong and constructive leadership, to abandon hope and embrace despair, and to accept a widening of the gulf between themselves and the rest of society. The possibility of permanent alienation and social disorder will be considerably increased.

Under these circumstances, corporations may find that what happens to poor and disadvantaged people is their business. Corporate philanthropy will have to ask itself whether it should not return, at least in part, to the original purpose of charity—to help the poor and most needy. In a time of serious economic stress and shifting government responsibilities, corporations will want to reexamine their priorities for giving to make certain that they meet the most urgent public needs of today, not those of 30 or 40 years ago. With resources scarce, corporate donors will have to ensure that their limited funds are spent as efficiently and effectively as possible.

Reassessment

Unfortunately, many corporations do not appear to have conducted a serious reassessment of their giving priorities and programs. A substantial portion of the corporate community, taking a wait-and-see attitude, does not take into account that many effective and responsible organizations and programs are likely to terminate if they do not soon receive private subsidies.

One corporate official stated, "We often have a tendency to fund what our corporate bosses like, and those organizations and programs with which we're familiar. We don't have much of an outreach into communities. Once an organization is on our contributions list, it may remain there forever." Although this portrayal may be an exaggeration, it probably contains enough seeds of truth to warrant serious attention.

A real commitment to honest evaluation is perhaps the first step corporations can take to improve their grantmaking. There is no more reason to continue to fund grantees whose performance is lackluster than to maintain business contracts and practices that are not productive and efficient. If nonprofit organizations cannot meet their goals effectively, they should not be supported. There is little justification for financing organizations merely as a gesture. There are just too many good organizations waiting to be funded.

Corporations could compensate for their lack of outreach to the broader community, and for their shortage of staff who handle contributions, by calling on their grantees and other trusted, credible institutions for advice and assistance in identifying potential grantee organizations and programs. Such a grass-roots network would both strengthen the corporations' grantmaking and provide corporate access to a much greater number of nonprofit organizations.

Professionalism

A responsible and successful grantmaking program—including a comprehensive assessment process, the determination of sound priorities, and the selection of solid grantees—depends on the professionalism of the operation. Too many corporations run their philanthropic activities as a very minor sideline to business, providing neither the attention nor the staff required for the job. Corporations can no longer afford to maintain any but the best-qualified people in corporate contributions positions. They need people who know the community as well as the corporation, who are bright, who have integrity, and who can reach out to a large and diverse group of institutions and networks.

The reputation as good grantmakers enjoyed by corporations such as Aetna Life and Casualty Company, Levi Strauss & Company, and Atlantic Richfield Company among both donors and grant recipients is a reflection of their competent professional staffs. And, not surprisingly, that reputation has been good for the corporate image and for business.

Professional staff, however, are not the only requirement for a successful philanthropic approach. The commitment and involvement of the chief executive officer and top corporate officials are essential, especially if staff are neither innovative nor courageous. Some corporations have broadened the membership of their foundation boards or contributions committees with outsiders who have proved invaluable in providing perspectives and viewpoints that could not have come from corporate managers alone. Corporations must make more progress in this direction before corporate philanthropy can begin to equal the scope, quality, and innovation that characterize our better private and public foundations. Corporations that are reluctant to appoint outsiders to their foundation boards or contributions committees could improve their grantmaking by establishing advisory committees to counsel their boards, committees, and staff and to help them evaluate their philanthropic programs.

Access and Accountability

Corporate philanthropy has been criticized for the lack of access it has offered to the more disadvantaged elements of society and to nonestablishment organizations. As the independent sector focuses increasing attention on corporate contributors and foundations, it will be more important than ever that openness, accountability, and accessibility become the hallmarks of philanthropy.

Statistics indicate that corporations and foundations have a long way to go before they can reach this objective. Fewer than 600 foundations issue an annual public report. Only a handful of nonfoundation corporate contributors publish any information about their grantmaking. As long as the public is denied such information, there will be an increasing demand for legislative requirements for public accountability.

Nonprofit organizations are beginning to challenge the right of the United Way to monopolize payroll deduction plans on behalf of a minority of charitable groups. The United Way monopoly denies the right of donors at the workplace to give to the charity of their choice, and excludes from this most efficient fundraising mechanism thousands of organizations that represent the most needy and worthwhile groups and programs in the country. There is growing evidence that a much greater amount of money could be raised nationally through federated campaigns if donors were not limited in their choice to United Way members or to one campaign.

The current system should not be permitted to continue unchanged. In a democratic society that stresses competition and free choice, how long can the independent sector tolerate a voluntary giving program that is neither competitive nor open?

The corporate community should begin to support efforts to establish alternative federated campaigns or to create donor option plans within or outside the United Way system. United Ways will need assistance in managing the difficult transition years ahead. By encouraging them to broaden their membership base and to adjust gracefully to the inevitable loss of a monopoly on payroll deduction plans, corporations may be able to ensure that United Ways keep their credibility and vitality in changing circumstances.

Because of limited resources and the urgency of the problems created by federal budget reductions, corporations and foundations will have to work more closely with one another. Joint projects, mutual consultation, and consortium arrangements, particularly for special or risky projects, will have to become more a part of the normal philanthropic operating style.

Even these steps, however, will not be able to fill some of the important programmatic and geographic gaps created by past philanthropic neglect and the federal withdrawal. For example, few foundations and corporations provide substantial amounts of money for rural programs and organizations. Large areas of the country are poorly served by donor institutions, and thousands of neighborhood and community organizations that are part of the vital human infrastructure of urban neighborhoods, small towns, and rural areas are in desperate need of small sums of money.

In response to these and other problems, corporations and foundations should consider pooling their resources to establish new foundations or clearinghouses that distribute funds to regions and programs requiring urgent attention. It may be time for the creation of a national rural foundation that could begin the task of strengthening rural self-help and development efforts.

Other Corporate Activities

Philanthropic grantmaking is only one element—and a relatively small one—in the way a corporation affects a community. A company's employment practices, purchasing policies, investment programs, and community leadership role are much more likely to shape or influence people's lives than the grants allocated by its contributions committee or foundation. A socially responsible corporation will not want its corporate practices to be inconsistent with its philanthropic policies.

It would make no sense, for example, for a corporation to support a local Urban League or a project seeking equal employment opportunities while the corporation itself is not prepared to offer equal employment opportunities in its plants and offices. Nor would it be consistent for a bank, insurance company, or other firm to provide grants to community groups working for neighborhood reinvestment when such a company is guilty of encouraging, practicing, or indirectly supporting redlining. The corporation's philanthropy, in other words, should be an accurate reflection of its overall approach to the community's social problems.

The Future

The drastic federal budget cuts and the initial shifts in the nation's federal structure will have a significant effect on the corporate community, however aloof the latter may wish to remain. Major holes in the safety net affecting millions of disadvantaged and frustrated Americans, changes in the business climate, and the growing authority of state and local governments are bound to affect corporate operations and corporate philanthropy.

The existence and stability of thousands of nonprofit organizations are threatened by reductions in federal domestic programs. Although some may deserve termination or contraction, the survival of strong and effective nonprofit organizations will be an indication of the health of this pluralistic, democratic nation.

Now is not the moment for corporate philanthropy to ignore or run away from the most important issues facing society. The times call for leadership, innovation, and risk-taking, the same qualities that produce successful business ventures. The events of the past year should be regarded as the opportunity, and necessary cause, for corporations to begin a forward, enlightened movement as philanthropic institutions. If the corporate community does not accept that challenge, we shall all be the losers.

The times call for leadership, innovation, and risk-taking, the same qualities that produce successful business ventures.

It's Colder and Deeper Over There

By Brian O'Connell

Corporations have a wider range of opportunities to influence change than do private foundations, says O'Connell. He suggests encouraging employee giving, participating in public/private partnerships, using research and development facilities for philanthropic purposes, and supporting fundraising efforts as steps toward more effective corporate philanthropy.

About half my time is spent with donor organizations and half with voluntary groups. Indeed, for two years I served simultaneously as president of the National Council on Philanthropy and as executive director of the Coalition of National Voluntary Organizations. From that divided perspective, perhaps I can help interpret donors and recipients—each to the other.

For one thing, I am repeatedly and increasingly impressed by the similarity of the good people working on both sides. They are indistinguishable, although far from undistinguished, in their motivation, sensitivity, ability, and respect for their colleagues across the way.

Another point I'd like to make is that each side envies the other. This may surprise voluntary agency staff who suppose that grantmakers have the best of all worlds. In fact, really good grantmakers envy those who have hands-on opportunities to make things happen now. (Of course, in this instance there's no real question on whose side the grass is greener.)

Giving can be difficult, but successful givers somehow never let themselves forget that the daily task of asking is even tougher. Ultimately, the best on both sides recognize that they are trying to achieve the same goals of better health or equal opportunity, to support the joy of discovery or international peace.

What I really like about the best of the corporate grantmakers, and what appalls me about the worst, comes down to a matter of attitude. I find myself wanting to say to the awful ones, "If you really feel that most of the voluntary organizations out there are unnecessary or inadequate, and if you wish to heaven you could exercise more power over how the sector is organized and how most agencies are managed, then you're in the wrong place. Please take that superiority someplace else—preferably out of the sector altogether."

Giving can be difficult, but successful givers somehow never let themselves forget that the daily task of asking is even tougher. Ultimately, the best on both sides recognize that they are trying to achieve the same goals of better health or equal opportunity, to support the joy of discovery or international peace. There is camaraderie, a sense of teamwork that washes away distinctions. Sensitive grantmakers bring to the partnership a spirit of encouragement and enthusiasm that overcomes the possibility of intimidation. They know how readily they could be viewed as cold, bored, and condescending, and they are determined that it will be otherwise.

Opportunities for Corporations

When the right attitude is combined with the ability of corporations to encourage public activity, the results can be remarkable. To a much greater extent than private foundations, corporations have a range of opportunities to influence change. Indeed, those opportunities are exactly why John Kenneth Galbraith believes that corporations should not be allowed to make contributions—he says it gives them the chance to exercise undue influence.

One of the discouraging things about the efforts of many companies is that they are trying to emulate their counterparts in the foundation world. They do the same things, they even organize themselves the same way, and so they lose the chance to capitalize on their uniqueness

Conversely, good corporate efforts play to that special role and make the most of a corporation's many opportunities to effect change. The common denominator of such efforts is their alert use of the company's chances to encourage maximum citizen involvement. The best company programs are those that encourage employee giving and volunteering, sink the company up to its neck in public/private partnerships, provide program-related investments, and in every other way use their dollars and other assets to increase the ability of people to solve problems.

Brian O'Connell, president of Independent Sector, is a former national director of the Mental Health Association.

Those who run such company programs also demonstrate great respect for the entrepreneurs and managers on the other side of the fence. They know how tough it is out there and they respect the individual who is surviving and serving. When they talk about the bottom line, it is not to paste the corporate model onto voluntary institutions, but to encourage the measurement of citizen service and influence.

Building a Broader Funding Base

Corporations can also bring, to a partnership and to the independent sector as a whole, their commitment to investment in research and development. This commitment can help companies see that some of their contributions and other efforts can be used to support the research and development that voluntary organizations now lack. For example, 90 percent of all giving comes from individuals, but there is little research on what it would take to double or triple that dollar total.

Also, too few donors—corporations or foundations—are willing to give money to organizations for fundraising. Perhaps corporations should ask themselves, "What is it that we know well or do routinely that, if applied to voluntary organizations and the nonprofit sector generally, might increase their total capacity?" Maybe corporations shouldn't emphasize the funding of programs as much as foundations do, but instead give priority to strengthening fundraising activities and solving problems of organization.

Eugene C. Dorsey, president of the Gannett Foundation, has taken a careful look at the public role of corporations. His conclusion is that because business understands the need for investment, companies should use part of their giving programs to generate increased personal giving and volunteer work and to sharpen the effectiveness of voluntary organizations. Dorsey believes that it is logical and natural for corporations to use some of their small slice of total philanthropy—just 5 percent—to help develop a means of increasing the individual giving that represents 90 percent of philanthropy.

In the current climate of financial difficulty for voluntary organizations, it must be plain to many groups that they cannot expect to transfer their dependence on government to corporations.

In the current climate of financial difficulty for voluntary organizations, it must be plain to many groups that they cannot expect to transfer their dependence on government to corporations. They must build the independent fundraising base that is necessary for long-term survival and strength, and the emphasis should be on individual giving. My fundraising experience convinces me that even in these tough times we can greatly increase personal giving.

It's difficult, however, for voluntary groups to get the money with which to begin building their fundraising efforts. I realize that it has not generally been attractive to support fundraising, but unless there is an independent base of support for voluntary organizations, many of them will either not make it or will not have a significant program capacity.

Suggestions for Corporate Grantmakers

Don't be afraid to identify priorities. One of the best descriptions I've heard about how a company determines priorities came from the Weyerhaeuser study a few years ago. They determined that their programs should be at "the crossroads where company and public interests intersect."

Be willing to provide operating money to organizations within your fields of priority. They need that base of support. It's fair to encourage them to use it in ways that will broaden their fundraising and membership bases, but do help them with that essential feeling of security.

Don't try to outguess your grantseekers. Too many times I have made a presentation for a project that my organization had thought long and carefully about—let's say the relationship between depression and alcoholism—only to hear in response, "We think your idea is very good, but we think it's an even higher priority in your field to do a study on the relationship of atherosclerosis and senility." Such a statement was often accompanied by an indication that the grantmaker might be willing to fund a part of such a senility study, if we could get co-funding. The awkward moments I have had with grantmakers did not involve their disappointing but candid rejection of a proposal; they involved the grantmakers' own disappointment and obvious disapproval when I was not willing to zig or zag in the direction of their money.

In keeping with your opportunity and obligation to be encouraging, use the corporate model of helping people develop. For example, from time to time provide grants with no strings attached to impressive leaders of voluntary agencies. Occasionally award a study or travel grant to help such leaders avoid exhaustion and disillusionment. I don't think I have ever been to a meeting of grantmakers where it has not been stressed that one of their roles is to find and encourage talent. On the other hand, it's not often that I hear of a corporation saying to one of those talented individuals, "Here's $5,000 for a discretionary fund for things that come along that you know are right to do. For our records, send us a list at the end of the year, but basically we know how it is out there and we want to help *you*."

As I said in the beginning, it really comes down to attitude, and that almost always includes your keen awareness that it's colder and deeper over there.

A Look at the Future

Forecasting the Role of Corporate Foundations

By Cecile M. Springer

As a response to new social trends, Springer suggests that corporations apply the same expertise to giving as they do to achieving business goals, and that they take a leadership role in communicating with those who receive their funds.

The philanthropic efforts of corporations in coming years will look different from those of today because the focus of philanthropy can be expected to shift in response to new social trends. These trends include the increasing specialization of work, the effects of technology on economic and social life, the growing awareness of a finite environment, and the widening gulf between the haves and the have-nots, both domestically and globally. These changes will not only require corporations to be more productive in their business, but also to accomplish more in their philanthropic activities.

Corporations can help ensure that their philanthropic decisions will accomplish more in two ways. First, they can apply the same corporate expertise to giving as to achieving business goals. Second, they can take a leadership role in communicating with the organizations and communities receiving funds.

Expertise

The result of corporate expertise is financial performance, which is a measure of profitability and productivity on the business side of a company's operation. Financial performance is also a measure of the success of a philanthropic strategy, and, as in the operations part of business, such performance is achieved by strategic and tactical planning.

A strategic approach to corporate philanthropy includes plans to cease funding efforts on which the return is low and to shift toward other, more effective programs. For many corporations, this will mean reexamining traditional objectives in favor of those more innovative and responsive to the community. For example, strategic planning may mean shifting from primarily funding general support organizations, such as United Way, to funding selected programs, such as a job-training program at a particular women's center. It may mean moving support from organizations that need operating funds to innovative programs requesting special assistance, such as technical expertise. It may mean a shift from funding only safe, long-established institutions to also funding inner-city, minority-run, perhaps controversial programs.

A strategic approach to corporate philanthropy includes plans to cease funding efforts on which the return is low and to shift toward other, more effective programs.

Tactical planning means working to leverage available dollars to increase the effectiveness of invested funds. A responsive, timely $2,000 grant may yield a result many times that amount, depending on the objectives of the

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project, community, or contributions committee. Corporations that remain traditional in their giving may find their contributions having less and less impact on the community. Flexible, program-oriented giving permits year-to-year decisions based on several objectives.

Tactical planning also includes helping nonprofit organizations have access to, and the use of, appropriate technology. New technology has had a tremendous impact on business—nearly 60 percent of the improvement in industrial productivity has been attributed to its use. Nonprofit organizations can benefit from gifts of computer time, hand-me-down word processing units, and less than state-of-the-art equipment. Nonprofit groups can also benefit from professional consultation in the use of such equipment.

Corporations that give can use their business expertise to improve their philanthropic efforts. For example, corporate contributors to a child-care agency in western Pennsylvania offered the services of staff members as consultants to help the agency systematize equipment purchasing. Regional child-care entities (agencies, individuals, and community-based operations in three neighboring counties) can now buy equipment at wholesale prices. The agency plans to process billing for child-care services in a similar manner. Savings in time, effort, and expense will eventually reduce the overall cost of child care while improving the level of care, making the agency more useful to the community.

Leadership

Corporate contributors and the agencies they support have a responsibility to communicate the lessons of their experience; other corporations can see how they might contribute their expertise, and more agencies will have a clearer idea of what to request. That kind of communication requires planning. Corporate contributors have a special responsibility to focus their giving strategies on leadership programs, on projects that can serve as model answers to complex social problems.

Business leadership exerts itself in many ways—in the stimulation of innovation through corporate research and development; in the support of university research; in innovative product design as well as in techniques of manufacturing, marketing, and sales. Business leadership also expresses itself as investment in new facilities and programs.

Leadership in giving can adopt these same characteristics, stimulating innovation in funded programs and investment in new facilities and programs. Business can seek out approaches that solve critical community problems, enrich communities, and foster the creative use of technology and professional advice.

More particularly, leadership can take the form of training volunteers, developing ways of teaching the handicapped and the mentally retarded, funding health research, and supporting the special health, social, and educational needs of minority groups and children. Such directed funding enables corporate giving to respond quickly to shifting needs in a community.

Leadership can take the form of training volunteers, developing ways of teaching the handicapped and the mentally retarded, funding health research, and supporting the special health, social, and educational needs of minority groups and children.

Leadership also includes taking the lead in participatory decisionmaking, which is a method of solving problems that promotes communication. In business, participatory management is based on bonds of mutual respect, trust, and obligation between employer and employee. In philanthropy, the same relationship can exist between giving entities—corporate foundations or contributions programs—and the community-based organizations seeking support. Such a relationship helps dissolve the sense of distance between those in the corporation and those outside it. It builds trust and respect; it happens when people think in terms of a "we" that does things together.

Leadership also includes encouraging the efforts of corporate employees who contribute their time as volunteers to many of the organizations supported by corporate contributions. Employees often identify both community needs and potential grant recipients. If a giving program is flexible, it can respond to such participation. This type of communication enhances participatory decisionmaking, involves the corporate contributor more actively in funding, and enriches the communities served by the recipient agencies.

For example, a program called Pittsburgh Senior Citizen Artist Resource Program resulted from this approach. The program began in response to community requests to match the needs of school students with the expertise of retired artists—painters, writers, and musicians. Senior citizens now share their experiences as artists with children in the Pittsburgh public schools, enriching the experiences of all participants. The program was partly supported with funds from Westinghouse Electric Corporation; some of the volunteers had been employed by the company.

The challenge to corporate philanthropy is to apply business expertise and leadership to contributions efforts, to respond more effectively to changing social trends. But challenges are also opportunities. The coming years offer a unique opportunity to enrich the relationship between those who give and those who receive; let's take advantage of it.

The Future Shape Of Corporate Contributions

By William F. Symes

As ideas about corporate philanthropy evolve, a firm's willingness to make available its unique assets and resources for the public good may become a criterion by which it is judged. And as the corporate role changes, so must that of the nonprofit sector, suggests Symes.

Major changes in society offer excellent opportunities to look at the way we do things. We can examine everything, ask questions that aren't usually asked during ordinary times, shake free of convention, and try new and interesting approaches.

The current discussion about the appropriate social role of corporations offers just such an opportunity. Corporations can help shape our communities by developing programs and positions that are both responsive, to community and corporate needs, and responsible. Corporations and corporate philanthropy can be an integral part of building a better sense of community and meeting the challenges of the remainder of the 20th century. The following ideas seem both possible and important, for they build on trends and models already in place.

It is fully recognized that the most important contribution that a corporation makes to society is to provide goods, services, and jobs. However, as corporate contributions come to be viewed as integral to meeting essential community and national needs, a firm's willingness to make available its unique assets and resources may become a major criterion by which it is judged.

In keeping with this development, corporate contributions may pass the 2 percent level in the next 10 years, and managing the contributions function should receive attention characteristic of that given other corporate functions.

There are many, varied ways in which corporate resources can be used for the good of all. There should be greater cooperation and coordination of business efforts to support nonprofit organizations financially. This should be done not only to ensure that groups that are worthwhile but little known get adequate funding, but also to make needed management and technical skills available to the chosen projects. Corporations could work together more closely to provide these resources through the skills of employees, retired employees, or consultants.

As part of this endeavor, employees working as volunteers for nonprofit groups could be encouraged and rewarded. Perhaps their contributions could be matched by corporate contributions, for the good of the community. In so doing the corporation would be recognizing the employee more fully as a person, and it may in turn benefit from higher morale, productivity, and company loyalty.

Major community issues such as employment, economic development, health care, and housing may receive more thoughtful attention as their importance becomes apparent. Aided by programs such as Missouri's Neighborhood Assistance Act (which gives corporations a tax credit for high-risk grants for neighborhood improvement), corporations should broaden their support beyond traditional groups. Corporate support could well become an essential factor in achieving new approaches and solutions to social problems.

Major community issues such as employment, economic development, health care, and housing may receive more thoughtful attention as their importance becomes apparent.

The assessment of community needs should become a continuing process that draws on the most suitable and capable planning skills available. Trend analysis, to give early warning of community needs, and the development of systematic response and follow-up activities could be built into the community network, sustained by various forms of corporate support.

Most corporations are not nearly as comfortable with their contributions programs as with other aspects of their business. And business leaders aren't nearly as demanding of the nonprofit organizations on whose boards they serve as they are back at the office. If we are to maintain the viability of nonprofit service organizations, corporations must be serious about how they are supported and run. This means increased professionalism of contributions staff and tougher-minded board members.

As the corporate role changes, so should that of the

William F. Symes is president of the Monsanto Fund and director of the Corporate Support Program of the Monsanto Company.

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nonprofit sector. Good management techniques must be more widely adopted; for example, it is likely that nonprofit groups, especially those devoted to the arts and cultural affairs, will increasingly use better marketing techniques and make additional efforts to increase their earned income. In education, colleges and universities could help meet runaway costs by relying on "corporate professors," highly competent corporate employees who could teach one or two courses. Such professors might receive full recognition and privileges from the school, while the corporation pays all or part of their salaries. If this practice were to become more common, everyone would benefit; the students would profit from exposure to the nonacademic world, the corporation and the school (and their respective employees) would profit from the experience of working together, and the community would benefit from improved understanding and cooperation among its members.

On the national level, corporate contributions could be used to help support projects that seek to define and answer problems of industrialized society. This would make possible better direction of the coming social transformation, one made necessary by scarce resources, potentially large-scale underemployment or unemployment, and the growing disparity between rich and poor.

Moreover, as corporations turn more and more to foreign markets and investments, a view of the world as a "global village" should grow, fostering concern with and atttention to critical problems of the third world. Corporations could, for example, jointly fund demonstration projects to help address hunger, health care, desertification, and other problems and issues affecting underdeveloped and developing nations.

The years between now and the end of the century present enormous challenges. Corporate contributions and resources can be significant in determining how well those challenges are met. We must make the best of that potential.

Professionalism: Directions for the Future

By Eugene R. Wilson

The management of corporate contributions is coming of age in America, says Wilson. Because the corporation's social role is likely to expand and giving programs are likely to attract more attention in the future, full-time professional contributions managers will become essential.

After years of growing pains, the management of corporate contributions is coming of age in America. The 1970s saw both a steady rise in the level of corporate giving and increasing professionalism in corporate contributions programs of all sizes. Many programs matured from a random, "reach-in-the-pocket" response to any organization that asked, into a systematic, reasoned approach to meeting the responsibilities of a corporate citizen.

The principal function of the corporation, providing jobs, products, and services at a profit, will not change. However, as more companies recognize that profitability and community responsibility are linked, the corporation's social role is likely to expand and its corporate giving programs will probably attract more attention. In response, corporate contributions programs of all sizes can and must enhance their effectiveness by becoming more professional.

Most of the professionalization that has occurred in larger corporate programs stems from the awareness of top executives that the success of their business enterprise depends in part on social approval. Of course, there will continue to be pressure to revert to the familiar old-boy style of giving, to abandon the professional approach. But enlightened executives understand that corporate giving is no longer only philanthropy for its own sake.

Eugene R. Wilson is executive director of the Atlantic Richfield Foundation and former vice president for institute relations at the California Institute of Technology.

The contributions manager of the future will have to demonstrate an understanding of corporate business planning factors—including capital needs, finance, cash flow, market direction, and economic conditions—to be accepted as the peer of other corporate managers.

Corporate giving must now be viewed as a business investment. The return may not be immediate or in dollars, but social approval is very much in the long-term interests of a company. Contributions unrelated to corporate interests will be far more difficult to justify as the competition for corporate dollars stiffens and managers insist on cost-effective grantmaking.

These considerations will make the need for full-time professional contributions managers all the more essential, especially in larger companies. The contributions manager of the future will have to demonstrate an understanding of corporate business planning factors—including capital needs, finance, cash flow, market direction, and economic conditions—to be accepted as the peer of other corporate managers.

Tomorrow's Contributions Manager

Professional contributions managers can provide regular opportunities for other corporate managers to meet and learn from experts outside the company who are willing to share their knowledge about various public issues. Such colloquies would aid those who make contributions decisions to understand and implement new policy directions for their giving programs. (It will also help ensure executive involvement in the contributions program.) This approach would call for flexibility and the frequent reassessment of giving priorities as social needs change.

The contributions manager of tomorrow, therefore, will very likely be expected to analyze and interpret public policy issues and to define educational, social, and cultural needs in terms of the different roles of nonprofit organizations and of corporations. Such insight is critical in developing a contributions program that is relevant to both corporate business strategies and concerns about the quality of life. And it will become more so as fundraisers for the nonprofit world grow more sophisticated and aggressive.

The Functions of Professionalism

Increased professionalism can result in a more focused approach to giving as corporations expand their contributions programs. Professional contributions managers can define the educational, cultural, and social commitments that best serve society and the needs of the company. More focused giving can also reflect an informed analysis of particular needs in communities where a company operates. It can promote aggressive outreach activities in the communities the corporation serves, and it can encourage the participation of lower-level managers in the identification of relevant community needs.

Professionalism will also facilitate successful management of the two elements that distinguish a corporate contributions program from a private foundation: support for nonprofit organizations where top management is involved, and support for employee programs, such as matching gifts, community giving, federated campaigns, and so on. Contributions programs and foundations both engage in outreach activities, where staff seek grantmaking opportunities with a degree of risk and the potential for experimentation.

Professional contributions managers can make it possible for corporations to support the activities of grassroots community organizations. These organizations, which are vital to a dynamic, pluralistic society, often need other kinds of help besides dollar contributions. Full-time staff can nurture entrepreneurial and creative activity in the nonprofit world while encouraging responsibility and effectiveness.

Increased professionalism can result in a more focused approach to giving as corporations expand their contributions programs. Professional contributions managers can define the educational, cultural, and social commitments that best serve society and the needs of the company.

Professionalism in Smaller Firms

Small and medium-sized companies may need to consider other approaches to professionalism than the establishment of a full-time staff. For example, they might gain professional expertise in the management of contributions programs through direct grants to local community foundations. For a small fee (much less than the cost of creating a professional contributions management activity within a company), the professional staff of a community foundation will offer intelligent grant recommendations that are consistent with corporate objectives. The community foundation staff will be familiar with actual community needs and credible community leadership.

Small companies may find that by giving all or part of their contributions budget to a community foundation, and working closely with the community foundation managers, the corporation can make a positive impact on the quality of life in that community while strengthening its presence there.

As professionalism flourishes, more corporations will probably improve the public reporting of their contributions programs and priorities. They can broadly distribute reports on their corporate public involvement to further their own accountability, to make themselves more accessible to the public, and to communicate their grant criteria. Contributions reports can spell out the kinds of grants the company considers, the geographical limitations, and the steps a nonprofit group should follow in requesting funding. By discouraging unrealistic proposals, these reports can contribute to a more efficient contributions program.

As professionalism flourishes, more corporations will probably improve the public reporting of their contributions programs and priorities.

At the same time, corporations should demand improved management, reporting, and accountability from nonprofit organizations seeking and receiving their support. This should result in a better appreciation of each other's capabilities and potential for sustaining the health of society.

As management efficiency becomes increasingly important, computerized information systems can be used to help maintain and promote productivity. More contributions managers are likely to participate in various national associations to keep pace with change and hone their management skills. Growing regional and national networks of contributions professionals will help stimulate cooperative and joint ventures.

Professionalism can also be enhanced by more research and discussion of the role of business in the nonprofit sector, and of the nonprofit sector itself. More information is needed to help understand and build on the interdependence of these two elements of society.

Like any forecast, this glimpse of what the future might hold if corporate giving programs become more professional is speculative at best. In light of the social changes confronting the nation, and the elements that have shaped the maturing character of corporate contributions, the emphasis on greater professionalism is a logical and fruitful direction for the future.

The author gratefully acknowledges the assistance of Nita Whaley.

Background

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Background

Corporate Philanthropy: Historical Background

By Barry D. Karl

Karl traces the evolution of corporate philanthropy from the days of the "direct benefit" doctrine to the present expanded notion of social responsibility. He concludes that, where once the power of corporations was feared as a power to do harm, society must now cope with their power to do good.

Americans have taxed themselves to provide government services for more than 200 years now—and they began complaining about it as soon as they began doing it. Although the federal government was slow to introduce taxes, state and local governments have a long history of taxation, one that includes heated political debate and periodic taxpayers' rebellions. Citizens who paid taxes felt they could monitor the purchased services, even when they were themselves among the recipients.

The emergence of the modern corporation as a "person" to be taxed raised special problems because the power of corporations to influence public policy was subject to political dispute. Corporations could be taxed in ways analogous to the ways in which individuals were taxed; but the corporate power to influence the use of those taxes and the services they bought was suspect. It was more comfortable to assume that the public could control the way corporations influenced public policy, because it was a democratic government that decided how tax money was to be spent.

In a very important sense, corporate giving is based on the idea that corporations should be able to influence public policy directly through the power to decide how their contributions to the public well-being are spent. Disputes over corporate philanthropy rest on different attitudes toward that power, attitudes that range from the belief that business is really responsible only for its profits and its taxes, to the belief that powerful corporations can

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endanger the public's right to govern. Taxation has served as the uneasy link—never enough to satisfy those who have demanded more from corporations, but more than enough to anger those who have paid them.

The courts tried to resolve the question of corporate philanthropy by permitting gifts to projects that somehow involve that corporation's self-interest. What exactly constituted "direct benefit" became the battleground until relatively recently, when a broad concept replaced a more restrictive version and the stage was set for modern corporate giving programs. Some of the issues raised in the past remain, however, and a closer look at the background may be useful.

The "Direct Benefit" Doctrine

By the end of the 18th century, economists and social theorists began to question the utility of charity as a means of solving the ever-present problem of poverty. Supporting the poor in their poverty only kept them in that condition, it was argued. Although some were beginning to suggest that philanthropy could support efforts to search out the causes of poverty, to end it once and for all, others believed that the use of profits to expand production and provide jobs was the only appropriate way for business to affect social problems. By the end of the 19th century, what historians have called "social Darwinism" combined elements of both beliefs: that only the demonstrably fit deserved to survive, and that some of those who appeared unfit could be improved by science. Contradictory though these ideas may seem, they sustained the growing belief that the role of business in social matters was properly limited to what business did best: producing profits.

At the same time, the growth of the corporation and the diversification of its ownership raised a new range of social and political issues. Fear of the large corporation and political debates over the influence of trusts on national economic policy inclined few to the belief that corporations were instruments for doing good. Even those unwilling to look on corporations as monstrous considered them to be potentially ungovernable and in need of regulatory control. Beneficence was not, after all, thought to be characteristic of captains of industry; no one expected industrial leaders to do anything but lead—sometimes ruthlessly.

Theory aside, however, the philanthropic impulses of many industrial leaders were based on practical considerations. They reflected an old and continuing concern of the business community, the idea that community philanthropy was an expression of self-interest, and therefore good business.

In the earlier part of the 19th century the interests of business had been easy to define. Owners of businesses were also members of the communities in which they operated. They expected appeals from organizations run by people like themselves, fellow businessmen and their wives who volunteered their time to help those in need. Unusually cold winters, recurrent epidemics, and hard times served as occasions for reminding the fortunate that their blessings might depend on higher powers. Theories of the stewardship of wealth helped to define the responsibilities of the wealthy: those whom fortune had favored were expected to care for those less lucky.

More concrete considerations also affected the process of giving. A contented labor force and a buying public were essential to the kind of community that business needed, and the poor, the unemployed, the sick, and the uneducated were not equipped to join either one. The existence and the persistence of the unfortunate threatened the stability of the system. At the same time, they represented the failure to achieve the minimum standards of well-being that were promised in political debate. It was thus easy to see a direct relation between the interests of business and the stability of the community, especially in urban areas.

A narrow definition of self-interest contributed to the development of American corporate philanthropy in its early years. For example, railroads were willing to contribute to the building of YMCAs for the workers needed by the rapidly growing railroad system, but more sophisticated conceptions of community planning were viewed with doubt. Only a few railroads attempted to extend their responsibilities from the housing of a workforce to the creation of new communities, although it was understood that these were needed to produce goods and to serve as markets.

Industrial managers who wanted to put company money into workers' benefits were criticized by those who thought such benefits a form of charity that had no place in business. It was not until World War I that changes in the role of labor laid the groundwork for new understanding between industrial managers and workers.

Wartime Philanthropy: The Red Cross Model

The rapidly escalating demands that World War I placed on one of the country's oldest national philanthropies, the Red Cross, raised the issue of "direct benefit." Faced first with the task of aiding the civilian population of war-torn Europe, the Red Cross quickly took over the role of serving the needs of Americans in Europe after the United States declared war in April 1917. These responsibilities were well beyond the resources of any one organization operating on the pre-war charitable scale. Newly formed philanthropic organizations stepped in to help, and the solicitation of contributions from individuals began again with new methods and on a much enlarged scale, but even that was not sufficient. Fundraisers needed to tap corporate resources, and to tap them fast.

It was clear that this was an exceptional cause, and a shrewd device called "the Red Cross dividend" enabled companies to request authorization from stockholders for a special dividend to be contributed to the Red Cross. In addition, wartime legislation in Texas and New York permitted gifts by corporations, although it was clear that such permission was stimulated by and possibly limited to the war effort. States were thereafter inclined to include such gifts among the powers of corporations; however, although Congress raised the issue in its debates on the Revenue Act of 1919, it explicitly rejected the idea.

Postwar Philanthropy: The Legacy of Reform

By 1920, 30 years' worth of reform legislation had placed increasing responsibility for education, medical care, social welfare, and professional urban management on state and local governments. Such services were a costly strain on the tax bases of many growing metropolitan regions.

By 1921, Internal Revenue Service policy accepted the idea that business donations to charitable, medical, or educational institutions were legitimate if such institutions served the needs of the firm's employees. This change in policy reflected a relaxation, however limited, of the need to prove that such donations were of direct benefit to the company.

During the 1920s, traditional philanthropic organizations joined with the expanding services agencies to form central funding groups and united fund drives. Community Chests and United Ways, under various local names, proliferated on a national scale; with wartime Red Cross drives as a model, they sought to adopt in peacetime an effective method of operation learned in the war.

Herbert Hoover was one of the architects of the new method. As Secretary of Commerce, he attempted to persuade industry to fund university research and training. As President he moved quickly, once the Depression had started, to marshal the nation's charitable and philanthropic resources to deal with what he presumed to be a short-term emergency. Despite his efforts, however, the persistence of the Depression rapidly taxed such resources to the breaking point. Unwilling to accept government intervention, Hoover launched a heroic campaign, calling on business leaders and radio and movie stars to help persuade the public to give more to charity.

At this time the legal status of corporate giving was still unclear. Corporate legal advisers were still persuaded that the only safe philanthropy was workers' benefits, and, stretching cautiously, services in the communities in which the workers lived. The principle of "direct benefit" excluded everything else.

In 1934 it was still an open question whether aid to the poor and unemployed qualified as a direct benefit, and the Old Mission Portland Cement Company found itself testing the point in the courts. The company claimed that its contributions to the San Francisco Community Chest were of direct benefit to its business interests because they improved the company's standing among its customers. The Supreme Court, citing what it knew to have been Congressional intent in excluding charitable deductions for corporations in 1919, said no.

In response, the Community Chests organized an effective lobbying effort that resulted in amendments to the Internal Revenue Code of 1936, permitting charitable contributions by corporations if they did not exceed "five percentum of the taxpayer's net income as computed without the benefit of this subsection." Thus, Congress effectively created the distinction between a charitable gift and a business deduction, a distinction destined to prove as troublesome as the problem it appeared to resolve. To be sure, companies were prohibited from claiming both charitable and business deductions for the same gift, but making the distinction was not always going to be easy, and corporate lawyers were still inclined to be wary.

Congress may have been more so. The provisions of the 1936 code made it plain that business acting in its own interest, defined as narrowly as possible, was deemed safer than business acting on the basis of some broadly conceived public or charitable interest. The implication was clear. Naked self-interest was acceptable; self-interest concealed under the cloak of charity was a danger.

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A New Concept of Self-interest

Transformations in tax policy during World War II both complicated and extended the view of corporate contributions. The foundation of business donations to war-related charitable activities had been laid in the earlier conflict. Now the excess profits tax, combined with restrictions on consumer goods, led to increased corporate funding of cultural events as a form of institutional advertising. By 1955, the effective ending of the G.I. Bill, which had helped U.S. colleges in the immediate postwar years, raised other questions.

Although it was well established that corporations could contribute to university research programs that benefited their interests, the role of corporate giving in general budget support and as contributions to capital funding in education remained unanswered. The New Deal change in tax policies remained to be tested by stockholders' suits. When the A.P. Smith Manufacturing Company gave $1,000 to Princeton University, it was sued by a stockholder for damages, and the stage was set for the debate.

In upholding the company's action, the Supreme Court of New Jersey in 1953 not only overturned the "direct benefit" rule, but also the need for enabling legislation. "And since in our view," the court stated, "the corporate power to make reasonable charitable contributions exists under modern conditions, even apart from express statutory provision, its enactments simply constitute helpful and confirmatory declarations of such power, accompanied by limiting safeguards." The court went on to justify its overturning of "direct benefit" by arguing the social responsibility of corporations as members of larger communities. Philanthropy was not only permissible within the range of corporate enterprise, but quite possibly a condition of public responsibility. The court's appeal to historic change presented the issue clearly:

> When the wealth of the nation was primarily in the hands of individuals, they charged their responsibilities as citizens by donating freely for charitable purposes. With the transfer of wealth to corporate hands and the imposition of heavy burdens of individual taxation, they have been unable to keep pace with increased philanthropic needs. They have therefore, with justification, turned to corporations to assume the modern obligations of good citizenship in the same manner as humans do.

To argue that *Smith* v. *Barlow* freed corporate philanthropy from the shackles of "direct benefit" and the threat of stockholder suits is attractive, and to some extent true. However, the court really translated "direct benefit" into a concept of national interest, for reasons not far removed from the circumstances that justified contributions to the Red Cross in World War I. The court acknowledged that the nation had then been engaged in a wartime crusade; but in 1953 the United States was "faced with other, though nonetheless vicious threats from abroad which must be withstood without impairing the vigor of our democratic institutions at home." Corporate benefit was to be understood "in terms of the actual survival of the corporation in a free enterprise system." Supporting private institutions of education conformed to the "widespread belief throughout the nation that free and vigorous non-governmental institutions of learning are vital to our democracy and the system of free enterprise."

However, opening new debates on the meaning of "direct benefit" did not resolve the problem of justifying corporate philanthropy or provide corporations with guidelines for giving. Nor, judging by subsequent developments in corporate philanthropy, would it be easy to interpret the changes in methods of corporate giving. An increase in the creation of foundations by corporations suggests a concern with formulating professional methods, but by separating the giving process from direct corporate management. The establishment of the Exxon Educational Foundation in 1955 is the most dramatic example. But the fact that the 5 percent limit established 20 years earlier did not become anything that could be called a standard for corporate contributions suggests something less than revolutionary in the corporate world's reading of *Smith*.

The history of foundations and their relation to public policy suggests that the problems encountered in raising corporate contributions will be interesting. Foundations have learned that they live in the public eye, despite claims to privacy and of third sector identity, and corporate givers are beginning to learn the same thing. Other lessons can be drawn from the experience of foundations.

First, replacing "direct benefit" with doctrines of public responsibility may not be as easy as it sounds. Foundations' attempts at social and cultural experiments have drawn mixed reviews even from experts; and their efforts to bring reform to the United States, let alone the world, have met with sharp attack from those who consider their interests endangered by reform. Direct benefit may seem selfish, but it is safe. It is not going to be any easier for corporations to define what is socially responsible than it is for individuals.

Second, foundations know that their relations with American politics are complex and dangerous. Philanthropic behavior is separated from political action by a very thin line, and philanthropists must be alert to charges that they are using their money to obtain political ends. Congress has persistently tried to forbid foundations to involve themselves in political matters, and foundations have just as persistently argued their right to do good as they see it. It is a hard lesson, but money, even generously and sweetly given, is still power.

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Finally, there is a sense in which foundations have always been uncomfortable with such phrases as "general purpose" and "the welfare of mankind." Their search for definition and specificity has taken the form of anxiety about "program," as many put it. Specific programs announced clearly and in good time not only reduce uncertainty among potential recipients but also charges of freewheeling and undue influence among potential critics. There is safety in the narrowing of program, even if it limits the imagination and the spirit of free inquiry. There are safe programs that will not draw hostility from anyone—projects meant to aid sick children, for example—although how much they can enrich understanding of larger intellectual issues may be another matter.

Corporate philanthropists may find themselves facing that problem in reverse. "Self-interest" and "direct benefit" may have been restrictive, but they have served as the touchstones that made justification possible, if not always easy. The power of large corporations has long been one of the bugbears of American politics; but the assumption has been that their power was a power to do harm. What we must now cope with is their power to do good.

Statistical Analysis Of Corporate Philanthropy

By Kathryn Troy

Troy offers a statistical overview of corporate philanthropy covering major recipients of private giving, average individual contributions, foundation giving, levels of corporate giving, and other issues. Her data suggest that the pattern of corporate giving has been relatively stable over the past decade.

By all accounts, the 1980s appear to be shaping up as a new era for both recipients and donors of charitable giving. Federal budget cutbacks may mean revenue losses of more than $20 billion during fiscal years 1982 to 1984, forcing voluntary organizations to reorganize their funding bases. Private givers—individuals, foundations, and corporations—are being pressed to increase the amounts they give or to reappraise their giving patterns.

As Chart 1 shows, nonprofit groups working in human and health services and in civic and social action depend most heavily on government dollars. Religious organizations, on the other hand, receive no government support; they depend wholly on private support. In fact, religious groups received almost half of all private giving in 1981.

In the past 20 years, private giving has increased from $9.4 billion to $53.6 billion (current dollars). Gifts and bequests from individuals have accounted for almost 90 percent of the total throughout that period. Foundations and corporations have donated the other 10 percent (see Chart 2). Although foundations (excluding corporate foundations) have traditionally given the larger share of that 10 percent, the growth in foundation grants has slowed in the past five years. Corporate giving, through both corporate foundations and giving programs, has increased slightly faster and has overtaken foundation giving in the past three years (see Chart 3).

In addition to religious organizations, major recipients of private giving in 1981 included educational institutions (14 percent) and health and hospital groups (13.8 percent). Donations to education, health, and social welfare groups have decreased in the past decade as a percentage of total private giving. In contrast, the arts and humanities have increased their share of total private giving (see Chart 4).

Individual Giving

It is generally believed that individuals give because of a personal commitment or interest, while institutional givers are more likely to seek out and address specific areas of certified need. Nearly half of all giving by individuals goes to religious organizations. Many other donations may be guided by interest—groups that help animals may be supported by animal lovers, certain health groups may be supported by those who have lost a family member to a particular disease, and so on. Thus, organizations that seek an alternative to government funding are competing for sums that may be a modest share of total giving by individuals.

It is generally believed that individuals give because of a personal commitment or interest, while institutional givers are more likely to seek out and address specific areas of certified need.

The average contribution by persons who itemize their deductions for tax purposes has increased over the past 20 years (see Chart 5). However, changes in Internal Revenue Service regulations have raised the ceiling for the standard deduction during that period, reducing the number of persons who itemize deductions. Those who itemize deductions are more likely to have relatively high

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incomes and may give more than those with lower incomes.[1] Meanwhile, inflation has been eroding most real incomes; the percentage of disposable personal income devoted to charitable giving has been edging downward since the 1977 high of 2.3 percent (see Chart 6).

Foundation Giving

Inflation has also had a marked effect on the fortunes of the country's major foundations. Chart 7 shows the effects of inflation on the assets of major foundations (those with assets of $1 million or more). Although these assets more than doubled in current dollars between 1965 and 1979, they actually decreased by 12 percent in constant dollars.

As noted, institutional giving is more likely than individual giving to be focused on specific areas of need. It has generally been acknowledged that foundations are more likely than corporations to choose a few major focuses and to act as agents of social change. Corporate giving is also oriented to meeting needs, but these may be broadly defined; corporate giving is typically responsive both to the needs of headquarters and plant communities and to corporate business objectives.

Foundations devoted almost half their budgets to health and welfare in 1980 (see Chart 8). In particular, donations to welfare increased from 23 percent to 27 percent of the total between 1976 and 1980, while donations to health remained almost stable. The Foundation Center reported in 1980 that the largest proportion and number of grants for that year were given to higher education and welfare. And although the arts and humanities are receiving a larger portion of total giving, their share of foundation giving dropped from 15 percent to 13 percent between 1976 and 1980.

Corporate Giving: Contributions Levels

As inflation and other factors make it more difficult for individuals and foundations to increase their giving significantly, the spotlight has shifted to corporate contributions programs. Corporate contributions, like corporate profits, have suffered from inflation in recent years. Corporate contributions managed to keep pace with inflation from 1970 through 1978, however, they lagged slightly behind the rate of inflation in 1979 and 1980, as measured by the Consumer Price Index (see Chart 9). The American Association of Fund-Raising Counsel's estimate of $3 billion for 1981 yields a constant dollar figure about equal to that of 1980. If the rate of inflation continues to slow, the picture may brighten. Of course, much also depends on corporate profits.

As inflation and other factors make it more difficult for individuals and foundations to increase their giving significantly, the spotlight has shifted to corporate contributions programs.

The past several years have seen considerable debate over how many corporations are giving, how much they should give, and how many actually make contributions. Data recently released by the Internal Revenue Service for 1977 answer some of these questions.[2] Of the 1.4 million U.S. corporations with a positive income in that year, almost 506,000 (approximately 35.5 percent) took a deduction for charitable contributions. These firms accounted for 86 percent of the assets and 84 percent of the net income reported by U.S. corporations.

Most big companies (with assets of $1 billion or more) made contributions. Eight out of 10 medium-sized companies (with assets ranging from $10 million to just under $1 billion) also did so. However, only about a third of the smallest corporations (those with assets of less than $10 million) contributed (see Chart 10).

Those interested in increasing the dollar level of corporate philanthropy have taken two paths: they have encouraged more companies to give, and encouraged those that do give to give more. The data indicate that the first can best be used when approaching smaller companies. As for the second part, most large companies are giving; should they be giving more?

The question assumes that there is some generally accepted norm for corporate giving. One frequently used measure is the ratio of contributions to net income before taxes. (The 1977 figures made available by the Internal Revenue Service use a net income figure that is close to taxable income.)[3] Over the past several years, the ratio for all U.S. corporations has hovered around 1 percent (see Table 1).

Table 1
Corporate Contributions and Net Income

Year	Amount (Millions)	Pre-tax Net Income[a] (Millions)	Contributions (Percentage of Pre-tax Net Income)
1970	$ 797	$ 75,400	1.06
1971	865	86,600	1.00
1972	1,009	100,600	1.00
1973	1,174	125,600	0.93
1974	1,200	136,700	0.88
1975	1,202	132,100	0.91
1976	1,487	166,300	0.89
1977	1,791	192,600	0.93
1978	2,084	223,300	0.93
1979	2,450 (est.)[b]	255,400	0.96
1980	2,700 (est.)[b]	245,500	1.10

[a] Reflects total consolidated corporate net income before taxes.
[b] From Council for Financial Aid to Education, Inc.
Sources: U.S. Department of Commerce; Internal Revenue Service.

Although many corporations have resisted the idea of setting a specific ratio as the norm, others have joined "2 percent clubs" and "5 percent clubs" in cities such as Minneapolis; Seattle; Louisville, Kentucky; and Baltimore. Recently, the President's Task Force on Private Sector Initiatives recommended that corporations adopt a 2 percent goal, based on net income before taxes.

Chart 11 shows companies grouped by the contributions ratio. Those near the two extremes account for 88 percent of all companies that give. The larger group has a ratio of 0.59 percent or less and makes 12 percent of all contributions, yet it has almost half the total income. The smaller group has a ratio of 2 percent or more and makes almost half the contributions, with only 9 percent of total income. The companies in this group have an average contributions budget of about $7,000.

Because of their visibility, large companies are usually the targets of those seeking to increase the level of corporate giving. However, these data suggest that a higher potential for growth may be among small and medium-sized companies.

In fact, 99 percent of the companies that make contributions have a budget of less than $25,000. These companies account for 24 percent of all contributions; a small group of about 200 companies with budgets of $1 million or more account for another 41 percent (see Table 2).

Table 2
U.S. Corporate Contributions and Net Income, 1977

Size of Contributions Budget	Number of Companies[a]	Percent of Companies	Percent of Contributions	Percent of Net Income
Less than $25,000	519,113	98.86	24	24
$25,000 to $100,000	4,256	0.81	11	8
$100,000 to $200,000	812	0.15	6	6
$200,000 to $500,000	503	0.09	9	21
$500,000 to $1 million	230	0.04	9	9
$1 million and more	208	0.04	41	31
Total[b]	525,122	100.00	100	100

[a] Includes companies showing an income loss.
[b] May not total exactly 100 percent because of rounding.
Source: Internal Revenue Service.

Because of their visibility, large companies are usually the targets of those seeking to increase the level of corporate giving. However, these data suggest that a higher potential for growth may be among small and medium-sized companies. Because these companies often handle contributions informally, it has been difficult to study and describe their giving and to determine how high this potential actually is.

Corporate Foundations and Direct Giving Programs

The contributions programs of larger companies have been studied by the Conference Board since 1943. Giving ratios among these larger companies have generally been about half the 1 percent ratio for the nation as a whole. As Chart 12 shows, companies participating in the Board's 1980 survey gave 0.54 percent of worldwide net income before taxes. However, their average contributions budget is $1.4 million, a marked contrast to the $7,000 average budget of companies that give 2 percent or more.

Obviously, lower ratios do not necessarily mean smaller budgets. Among the companies shown in Chart 12, the petroleum and gas industry has a relatively low ratio of 0.29. However, the 32 companies from this industry that participated in the survey gave 30 percent of the total contributions by the manufacturing sector.

In 1979 and 1980, percentage increases in contributions were higher than percentage increases in profits for most industries surveyed. Companies in five industry groups actually registered a decline in profits; in all but one of these industries, contributions increased (see Chart 13).

About half of the 732 companies participating in the 1980 study had a company foundation. A foundation allows a corporation to maintain its contributions level even if profits have dropped by using reserves built up in more profitable years. The foundations of almost two-thirds of this group distributed more in grants in 1980 than they received from their sponsoring companies.

If there is no company foundation, corporations make donations through direct-giving programs. The responsibility for such programs may rest with one of a number of corporate departments; public affairs and the office of the chief executive are the most common locations.

Company-sponsored foundations, like other foundations, devote a large share of their budgets to health, welfare, and education. Among the sample of 732 companies, education commanded almost 38 percent of corporate giving budgets in 1980. Health and welfare (combined) received another 34 percent.

The pattern of corporate giving has been relatively stable over the past 10 years. The slight shifts between 1979 and 1980 shown on Chart 14 indicate the general pattern: while education and civic activities have been receiving a steady share of the contributions dollar, gifts to health and welfare have been dropping by about one percentage point a year. The category of culture and the arts has been registering a gain of about the same size.

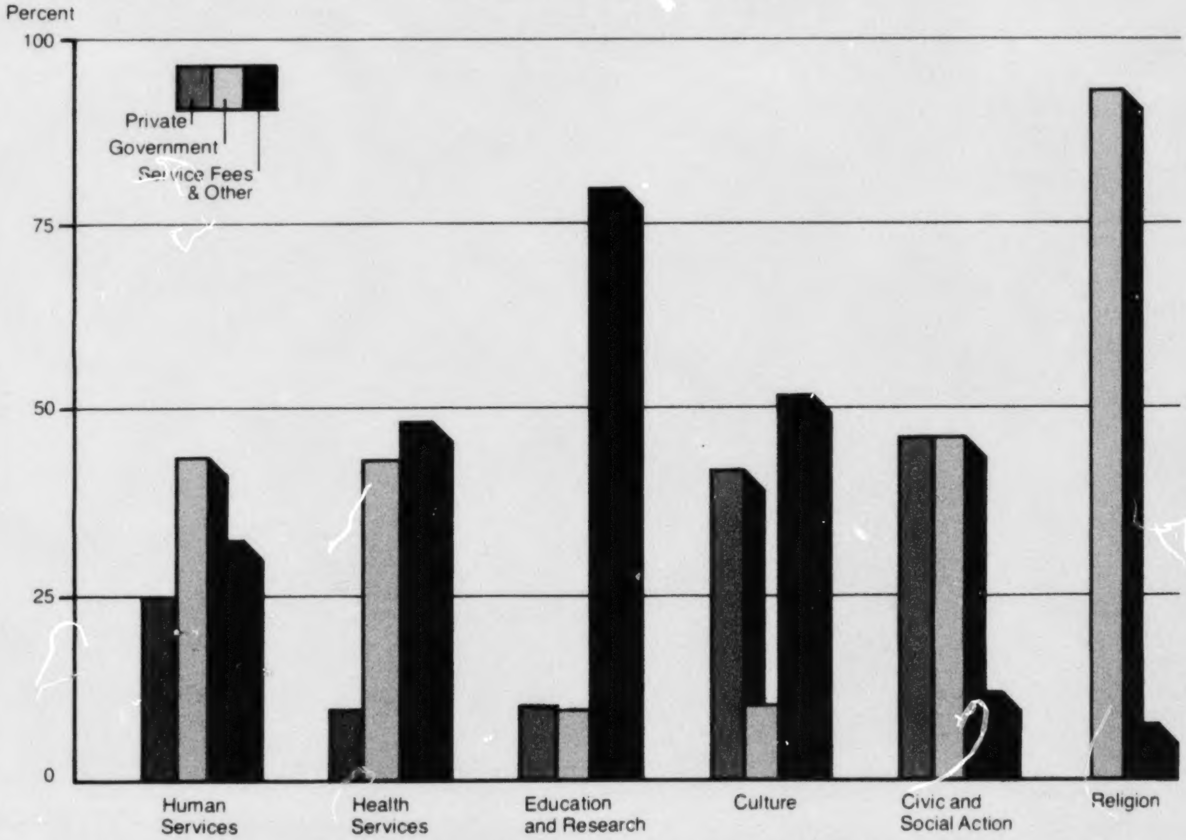
If it is possible to generate more corporate giving in the next 10 years, will companies realign their priorities?

Early indications are that some of the larger companies are beginning to reassess their programs, and that some are thinking of increasing support for human services. However, much is likely to depend upon when, where, and how severely federal budget cuts are felt in the next few years.

Notes

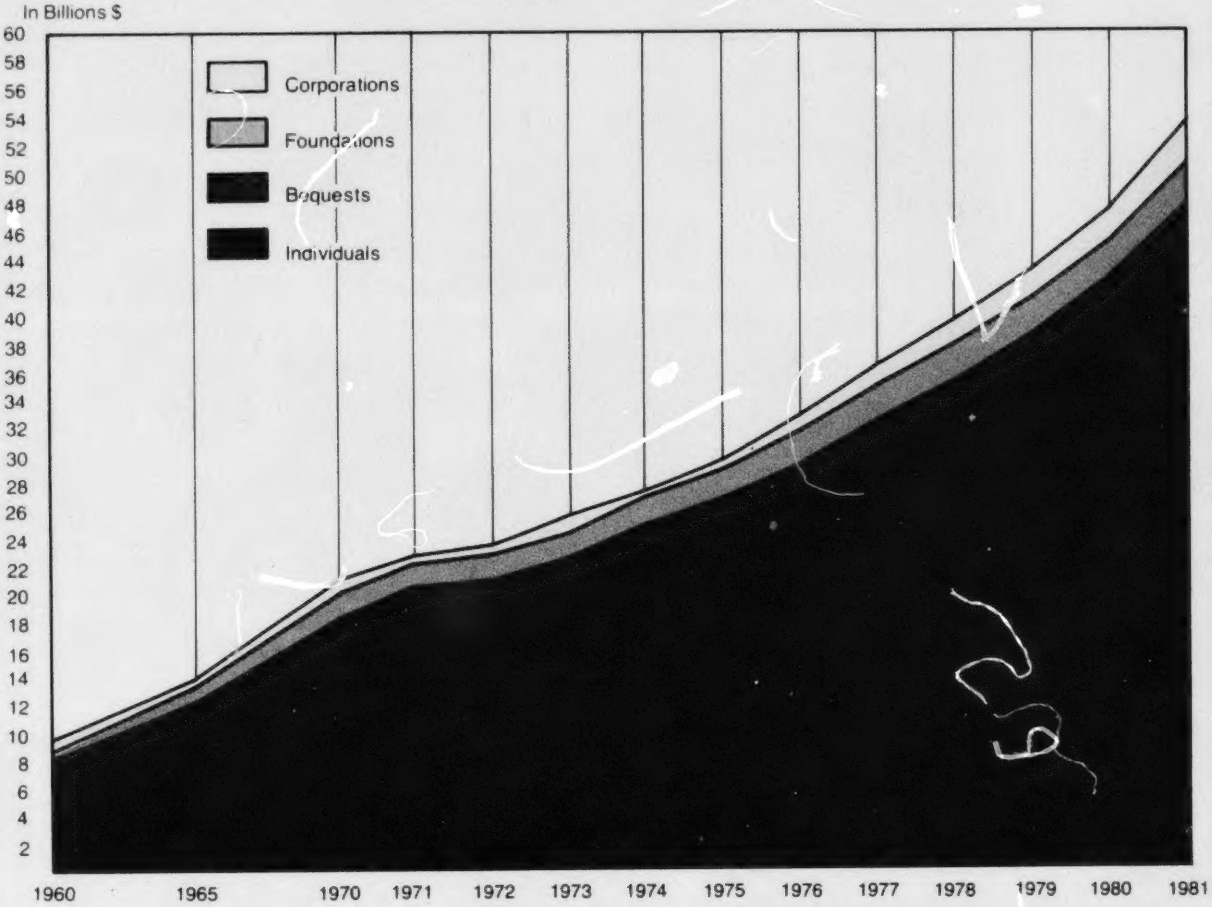
1. Under the provisions of the Economic Recovery Tax Act of 1981, individuals taking the standard deduction will be allowed an additional deduction for charitable contributions. During 1982 and 1983, the maximum deduction for those who do not itemize is $25. The maximum will increase to $75 in 1984, to half of all contributions in 1985, and to all contributions in 1986. This provision expires in 1987.
2. Full data for 1977 appear in Hayden W. Smith, *A Profile of Philanthropy, 1977* (New York: Council for Financial Aid to Education, 1982).
3. Since 1936, the Internal Revenue Service has allowed corporations to take a deduction of up to 5 percent of their taxable income as charitable contributions. Under the Economic Recovery Tax Act of 1981, this limit will be raised to 10 percent. Generally, when those in corporate contributions speak of a 1 percent or 2 percent ratio, they are using a different base: net income before income taxes. Taxable income is a closely held figure in most corporations. Because this figure is not available for use in public discussion, net income before taxes is substituted.

Chart 1
Sources of Income for Nonprofit Organizations, 1980



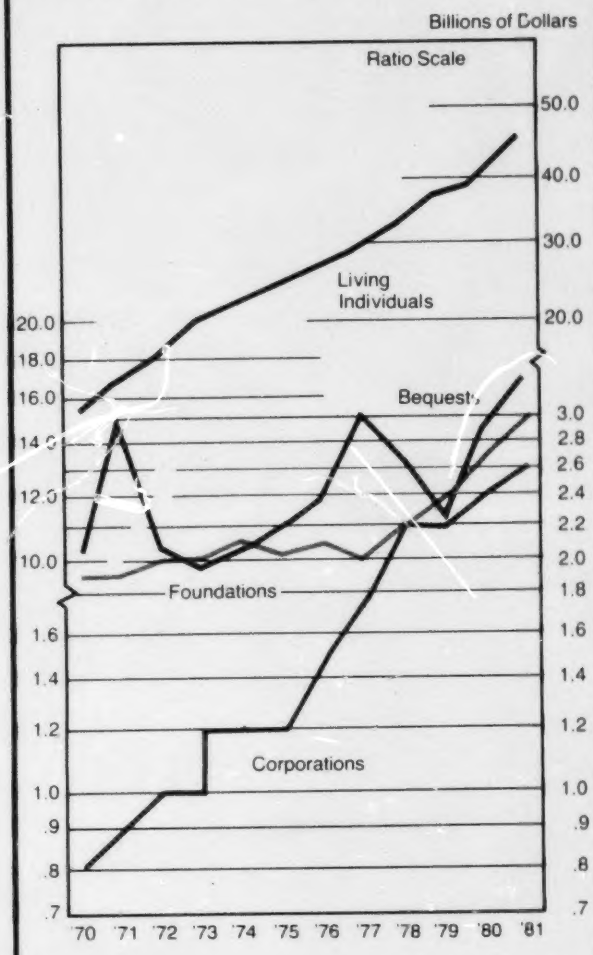
Source: Bruce L.R. Smith and Nelson M. Rosenbaum, "The Fiscal Capacity of the Voluntary Sector" (Paper delivered at the Brookings Institution National Issues Seminar, Washington, D.C., December 9, 1981).

Chart 2
Total Private Giving in the U.S., 1960-1981



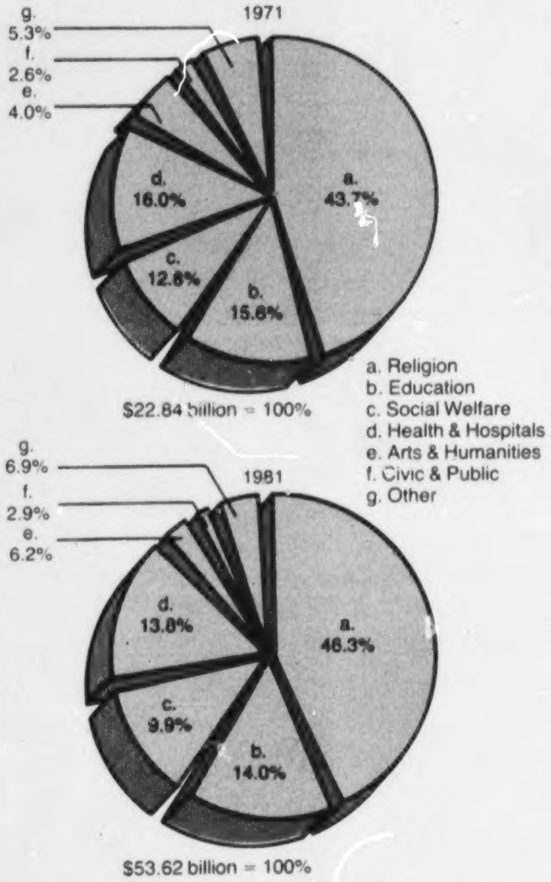
Source American Association of Fund-Raising Counsel

Chart 3
Private Giving in the U.S., By Source (1970 to 1981)



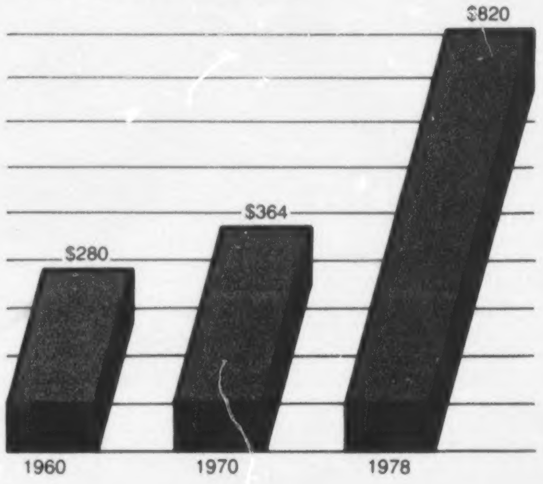
Source: American Association of Fund-Raising Counsel.

Chart 4
Recipients of Private Giving, 1971 and 1981



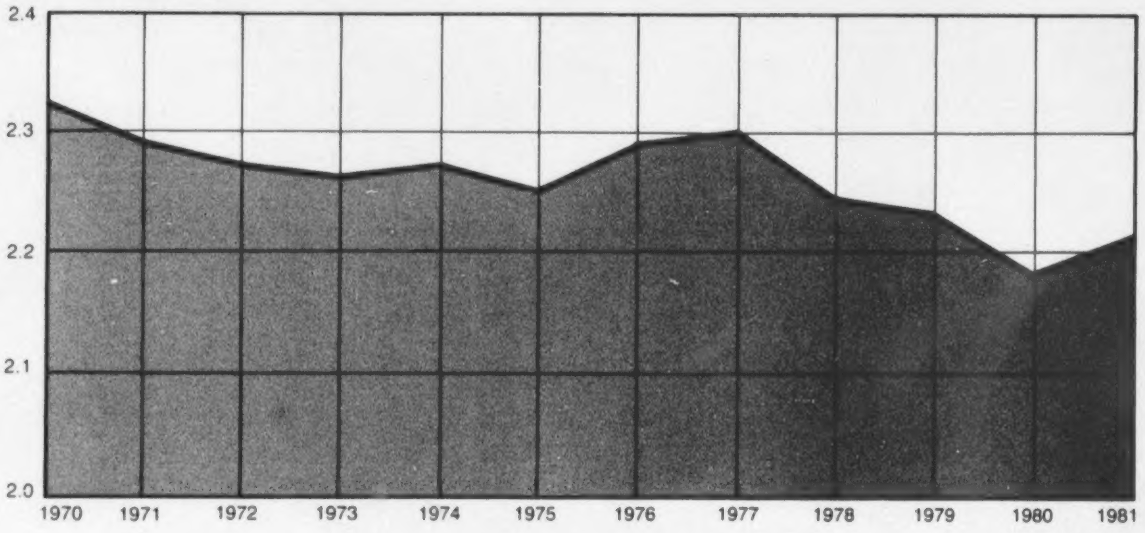
Source: American Association of Fund-Raising Counsel.

Chart 5
Average Contribution by Individuals Itemizing Their Federal Tax Return



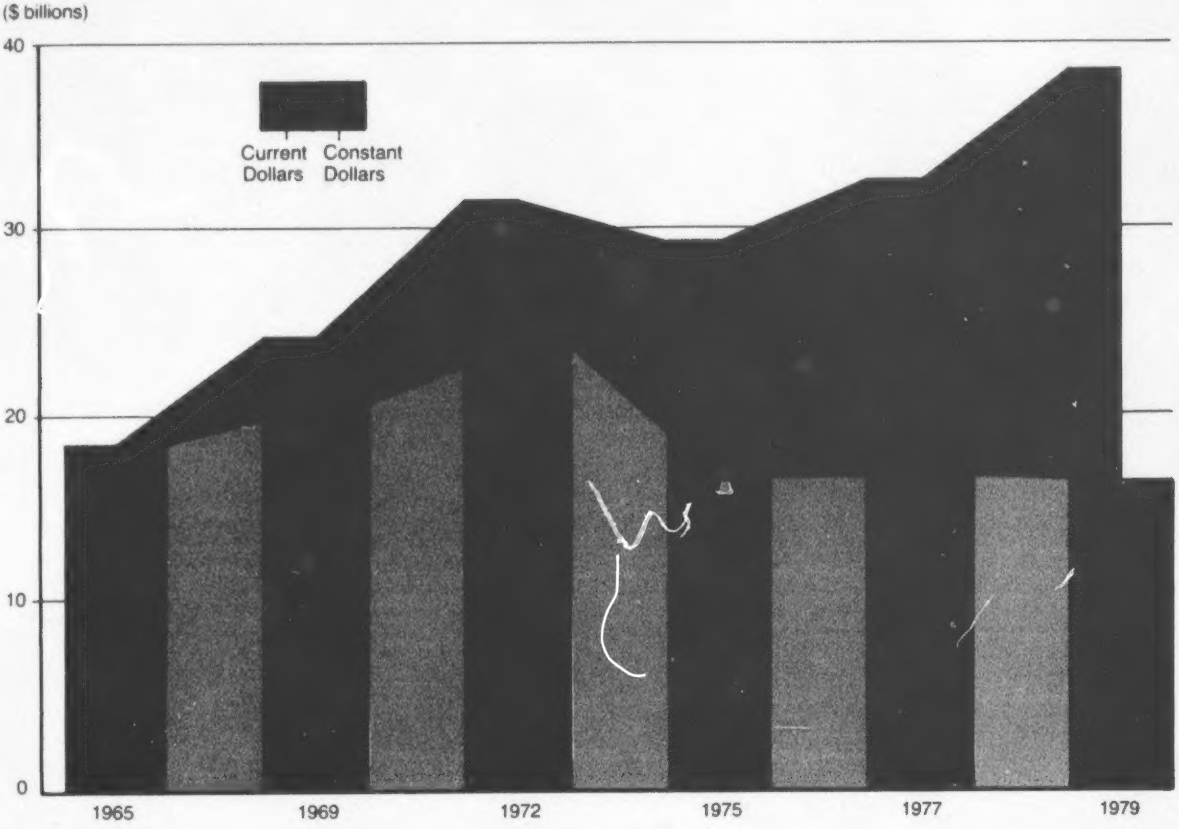
Source: Internal Revenue Service.

Chart 6
Individual Giving as a Percentage of Disposable Personal Income



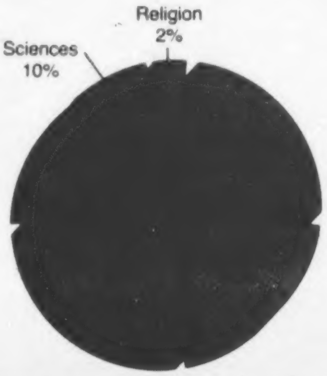
Sources: U.S. Department of Commerce; American Association of Fund-Raising Counsel.

Chart 7
Foundation Assets in Current and Constant Dollars, 1965-1979 (1965 = $1.00)



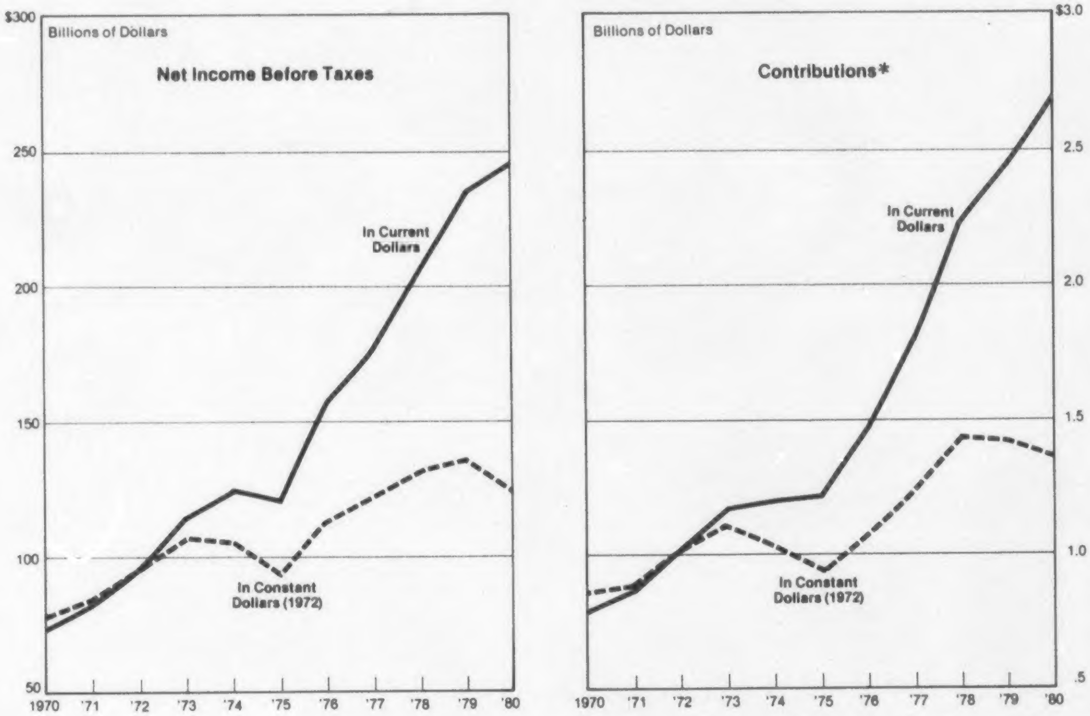
Source: *The Foundation Directory* (New York: The Foundation Center, 1981). Used by permission.

Chart 8
Foundation Grants by Field of Activity, 1980



Source: *1980 Foundation Grants Index* (New York: The Foundation Center, 1981). Used by permission.

Chart 9
Corporate Contributions and Net Income Before Taxes in Current and Constant Dollars

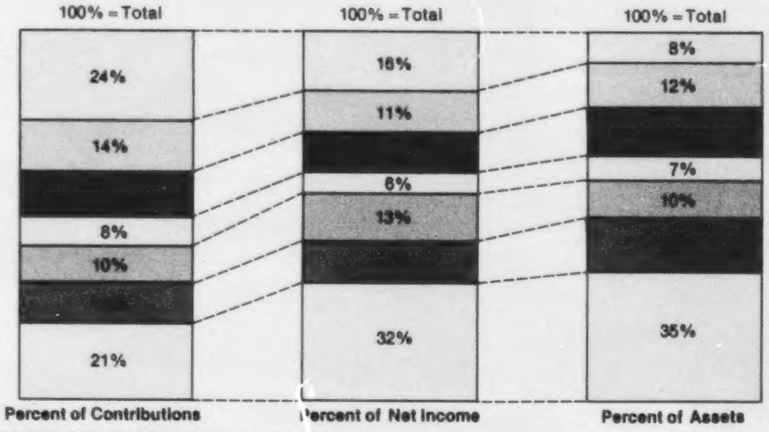


* These data include allocations to company foundations. It is possible that the dollars in circulation in any one year may have been *less* than this total. However, no basis for estimating the excess of pay-ins over pay-outs for company foundations exists for the years prior to 1974.

Source: The Conference Board.

Chart 10
Percentage Distribution of Contributions, Net Income, and Assets Among U.S. Corporations Making Contributions, 1977

Asset Class	Number of* Companies
Under $10 million	485,666 (35%)▲
$10 million-$100 million	16,481 (81%)
$100 million-$500 million	2,539 (84%)
$500 million-$1 billion	423 (84%)
$1-$2 billion	285 (92%)
$2-$5 billion	197 (91%)
$5 billion and over	91 (91%)
Total	505,682 (35.5%)



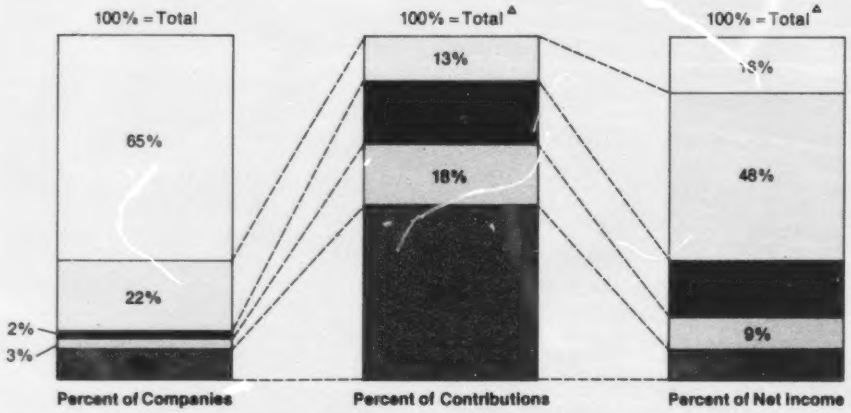
*Excludes companies showing an income loss.

▲ Figure in parentheses is percent of companies in that asset class that make contributions.

Source The Conference Board.

Chart 11
Contributions as a Percentage of Net Income, All U.S. Corporations, 1977

Ratio of Contributions to Net Income	Number of* Companies
0%	918,881
0.1-0.59	317,203
0.6-0.99	20,828
1-1.99	37,994
2 and over	129,657▲
Total	1,424,563



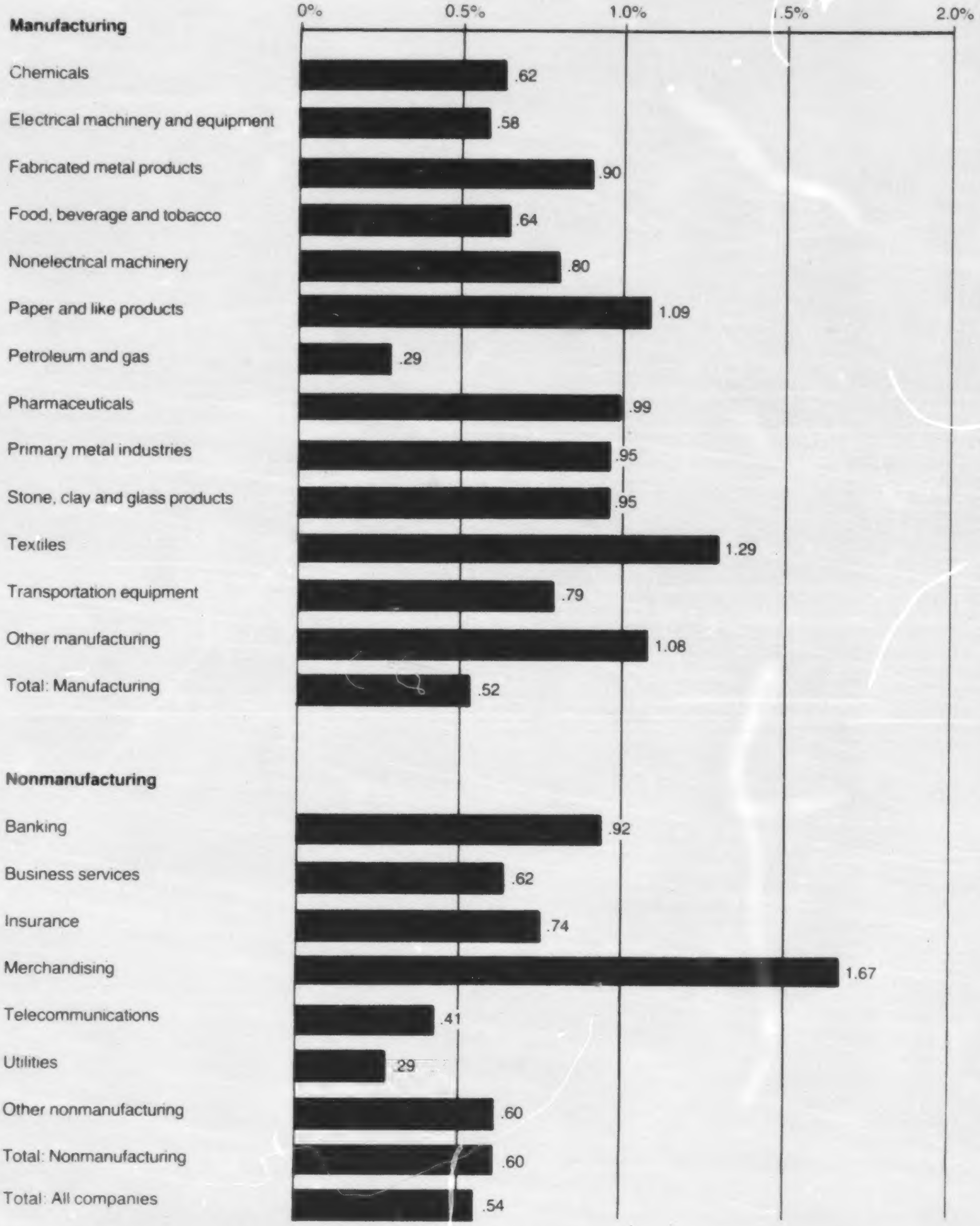
* Excludes companies showing an income loss.

▲ 58,718 gave at 5 percent of net income; their average contributions budget was $7,400.

△ Percentages do not add to 100 due to rounding.

Source The Conference Board.

Chart 12
Corporate Contributions as a Percentage of Worldwide Net Income Before Taxes by Industry, 1980[1]

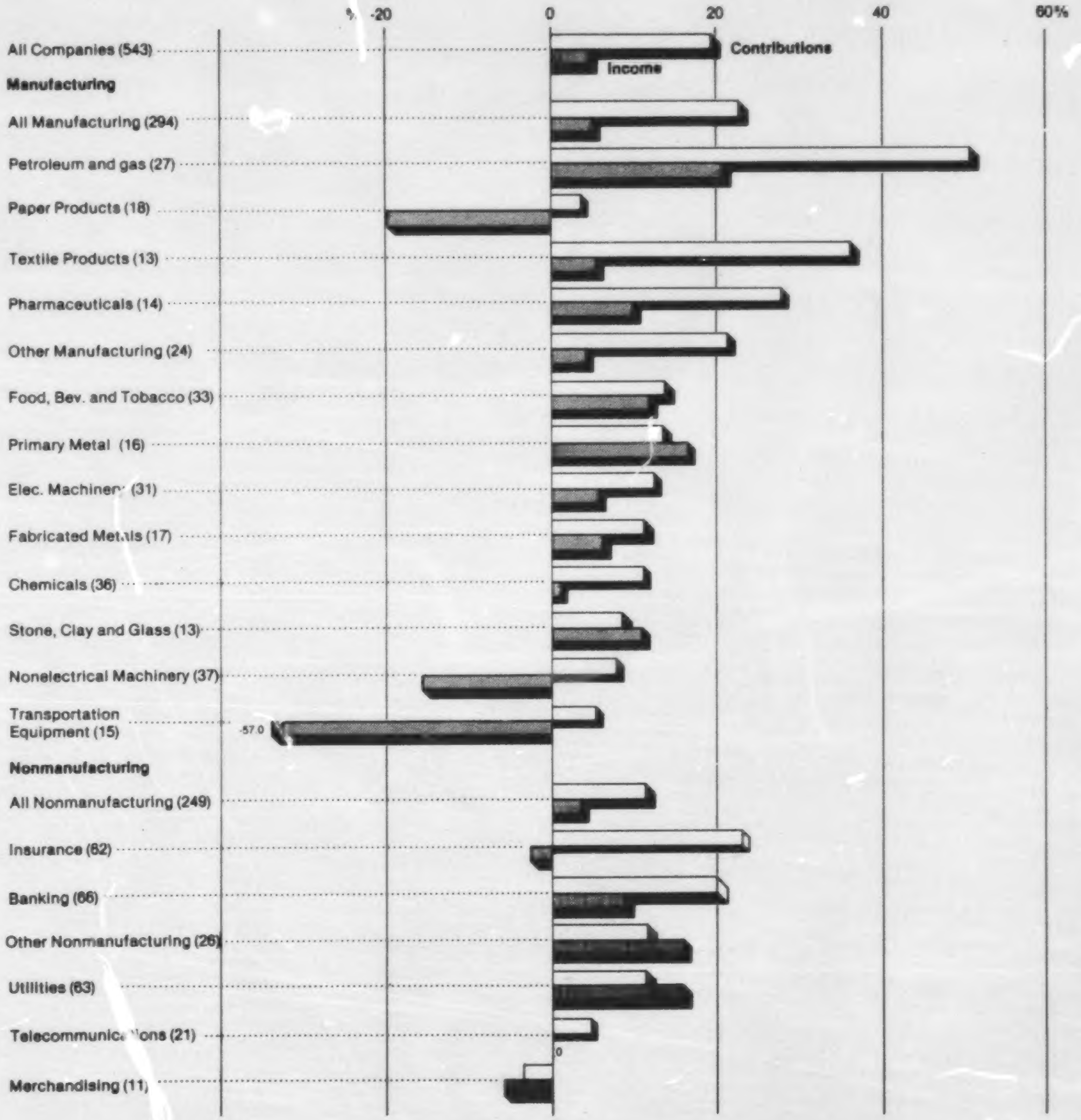


Source: The Conference Board.

[1] Based on a sample of 732 large U.S. corporations.

Chart 13

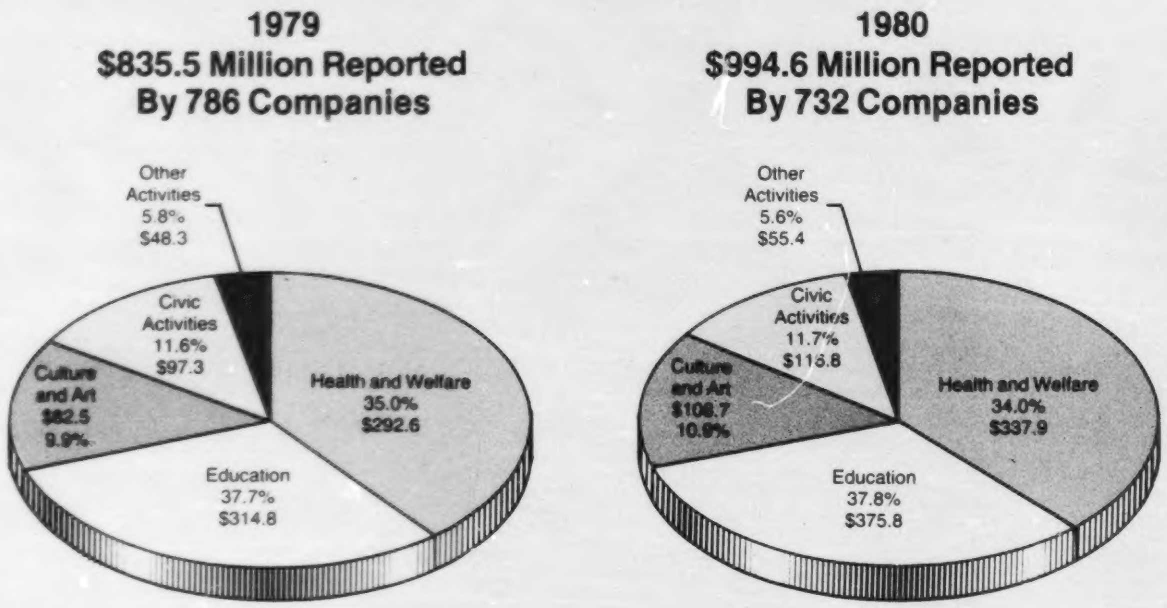
Percentage Change in Contributions and Worldwide Pre-tax Net Income, by Industry Class, 1979 and 1980



▲ This chart provides domestic contributions in relation to consolidated (worldwide) profits. The number of core companies supplying domestic profit data is too small to derive meaningful patterns.

Source: The Conference Board.

Chart 14
Distribution of the Contributions Dollar, 1979 and 1980



1979
$835.5 Million Reported
By 786 Companies

1980
$994.6 Million Reported
By 732 Companies

Contributions dollars in millions

Source: The Conference Board.

Sources of Information and Resources

A number of publications, organizations, and other resources can be helpful to corporate grantmakers. Specific suggestions have been made in some articles in this publication. This list is broader; it includes suggestions meant to help corporations establishing a philanthropic program as well as those seeking to improve the programs they have now. However, the list is also very selective, including only recent publications and those likely to be most useful. For further reading or for information on specific issues, consult the bibliographies listed here, the Foundation Center, or the Council on Foundations.

Publications

These three publications are basic references that form the nucleus of a collection of printed resources:

Annual Survey of Corporate Contributions, published by the Conference Board, 845 Third Avenue, New York, NY 10022. Collection of survey data from more than 700 corporations. Issued in April each year; the 1982 edition includes survey data for the calendar year 1980. Advance copies of some data are usually available in late fall. Copies of the survey are sent to Conference Board associates; nonmembers can order copies. Cost: $22.50.

Giving USA, published by the American Association of Fund-Raising Counsel, 500 Fifth Avenue, New York, NY 10036. Compilation of facts and trends on American philanthropy, including giving by individuals, foundations, and corporations. Issued in late summer each year, reflecting information from the preceeding year. Cost: $16.00.

Managing Corporate Contributions, by Kathryn Troy; published by the Conference Board, 845 Third Avenue, New York, NY 10022. Basic text that covers planning, purpose, goals, objectives, programming, budgeting, evaluation, and reappraisal, with many excellent examples and step-by-step processes. Cost: $30.00.

Additional Resources

Analysis of the Economic Recovery Program's Direct Significance for Philanthropic and Voluntary Organizations and the People They Serve: A Report to the Board of Directors and Membership of Independent Sector, Independent Sector, 1828 L Street, N.W., Washington, DC 20036, April 1982. Lists major studies dealing with cutbacks and includes an analysis of issues and problems to date. Cost: $5.00 for IS members and subscribers, $10.00 for nonmembers.

Corporate Giving: The Views of Chief Executive Officers of Major American Corporations. A study prepared by Yankelovich, Skelly and White Inc., published in May 1982 by the Council on Foundations, 1828 L Street, N.W., Washington, DC 20036. May be ordered from the Council on Foundations. Cost: $20.00 for members, $30.00 for nonmembers.

Corporate Philanthropy, by Kenneth A. Bertsch, published in 1982 by Investor Responsibility Research Center Inc., 1319 F Street, N.W., Suite 900, Washington, DC 20004. Summary of statistics and overview of issues using excerpts from articles and speeches by major opinion-makers in the past few years. Also includes analysis of giving by about 130 companies, compiled from a survey and from reports by Lawrence A. Wien. Cost: $25.00 (prepaid orders only).

Corporate Philanthropy, an Annotated Bibliography, by David R. Farber; published in 1982 by Donors Forum of Chicago, 208 South LaSalle Street, Chicago, IL 60604. Excellent bibliography with short descriptions of major articles and publications, arranged by categories, and including an author and company indexes. Cost: $10.00.

Corporate Philanthropy in the U.S.: 1980, by John J. Siegfried and Katherine Maddox McElroy; available from TCS Management Group, Inc., Nashville, TN 37202. Reference: Working Paper No. 81-W26, December 1981. Summary of a doctoral dissertation project that included interviews with persons from more than 200 companies. Analyzes geographic and industrial rationales and characteristics. Cost: $5.00.

Corporate Support of Higher Education, an Analysis, published by the Council on Financial Aid to Education, 680 Fifth Avenue, New York, NY 10019. Yearly analysis of corporate giving to education by industry, city, and type of educational causes. Single copy: $3.00.

The Endangered Sector, by Waldemar A. Nielsen; published in 1979 by Columbia University Press. Describes pressures and problems in the nonprofit sector; offers a realistic analysis and suggestions for policy changes for the preservation of the sector. One of the best overviews of major actors in the sector as well as its funding patterns. Cost: $20.00.

Foundation News, published by the Council on Foundations, 1828 L Street, N.W., Washington, DC 20036. Bimonthly journal that includes articles on managing and programming for grantmakers. Included with Council membership; also available through yearly subscription. Cost: $24.00.

The New Corporate Philanthropy: How Society and Business Can Profit, by Frank Koch, published in 1979 by Plenum Press, 227 West 17th Street, New York, NY 10011. In addition to discussing general management issues, Koch's book has chapters on programs in various categories, such as education, minority groups, and the environment. Cost: $18.50.

A Profile of Corporate Contributions, 1977, by Hayden W. Smith, published by the Council for Financial Aid to Education Inc., 680 Fifth Avenue, New York, NY 10019. An analysis of 1977 IRS federal tax returns including corporate contributions—an update of the earlier study done for the Commission on Private Philanthropy and Public Needs. Cost: request information from CFAE.

Organizations

Some listed organizations are membership groups that provide services especially for grantmakers; others conduct research in program funding areas, or work to improve the effectiveness of contributions in a particular area. Still others may evaluate fundraising groups. Many organizations listed below offer a combination of research, member, and programmatic services. This list includes only national organizations; however, local community groups, colleges and universities, and other grantmakers should not be overlooked as possible sources of help to corporate grantmakers.

American Association of Fund-Raising Counsel Inc.
500 Fifth Avenue
New York, NY 10036
(212) 354-5799
Membership organization of professional fundraising counseling firms; seeks to maintain high standards of ethics and professional techniques. Also publishes information on trends in U.S. philanthropy. Published materials include *Giving USA (see* entry above), surveys, and a bimonthly newsletter.

American Council for the Arts
570 Seventh Avenue
New York, NY 10018
(212) 354-6655
National arts service organization; works with local arts groups to provide professional development services and develop new possibilities for arts expansion and support. Publishes a magazine, *American Arts,* and other material, including *Guide to Corporate Giving in the Arts 2,* and information about arts advocacy, management, education, community needs and programs, statistics, and trends. Also offers library services.

Business Committee for the Arts
1501 Broadway
Suite 2600
New York, NY 10036
(212) 921-0700
Membership organization of U.S. business, corporate, and industrial leaders; seeks to stimulate business support of the arts. Analyzes pertinent statistics and counsels corporations interested in supporting the arts; informs corporations of opportunities for arts support and the arts community of corporate activity in the field. Cosponsors annual awards for noteworthy corporate programs. Publishes a newsletter, pamphlets, a public service advertising campaign, surveys, and "how-to" information.

Business Roundtable
200 Park Avenue
New York, NY 10017
(212) 682-6370
Association of approximately 200 business executives who examine public issues and seek to develop positions that reflect sound economic and social principles. Members work in task forces that address particular issues, supervise preparation of position papers, recommend policy, and speak on selected issues. (A recent position paper discussed and endorsed corporate philanthropy.) The Roundtable's principal criterion in selecting issues to study is the effect the problem will have on the well-being of the nation.

Center for Corporate Public Involvement
1850 K Street, N.W.
Washington, DC 20006
(202) 862-4047
Assists life and health insurance companies and other corporations with public involvement efforts. Publishes a bimonthly magazine, *Response,* on such efforts and their accompanying policies, and an annual *Social Report,* based on survey data from participating companies. The annual volume includes data on community projects, corporate contributions, equal employment opportunity, social investments, and other programs.

Conference Board
845 Third Avenue
New York, NY 10022
(212) 759-0900
The Conference Board began analyzing and reporting on the public affairs and contributions activities of corporations in 1943. The Board gives priority to research into corporate contributions, social investments, executive and employee voluntarism, public/private partnerships, local community development, and other such activities. Of the Board's 13 councils, 3 are primarily concerned with public issues; of these, the Contributions Council, composed of 55 corporate executives, advises Board researchers on philanthropic issues. Since 1974, the Board has maintained a data bank on corporate contributions activities. It publishes the *Annual Survey of Corporate Contributions* and *Managing Corporate Contributions (see* entries above). Two related publications were issued recently, "The Corporate

Contributions Professional" and "The Corporate Contributions Function." The Board offers four seminars a year on the management of corporate contributions, and has held workshops on specialized aspects of corporate contributions and social investments since 1979. An annual conference on corporate social program involvement is held each March.

Council for Advancement and Support of Education Inc.
11 Dupont Circle
Suite 400
Washington, DC 20036
(202) 328-5900
An association of more than 2,300 colleges, universities, and independent schools; helps increase private financial support, strengthen communications, and improve government relations programs. The council also conducts public affairs activities on behalf of education. CASE serves as the National Clearinghouse for Corporate Matching Gift Programs; it publishes an annual guide, *Matching Gift Details*, and a leaflet series that provides current data on more than 900 corporate matching gift programs.

Council for Financial Aid to Education, Inc.
680 Fifth Avenue
New York, NY 10019
(212) 541-4050
Nonprofit service organization to promote increased voluntary support of higher education, particularly by the business community. Conducts seminars and provides counseling services for corporate and college administrators; publishes annual reports on voluntary support of education and on corporate support of higher education; also publishes special studies, "how-to" manuals, papers, speeches, and other materials. The council also publishes a quarterly newsletter for corporate contributions executives and an occasional newsletter on special topics. CFAE does not solicit or disburse funds for higher education. Its support comes from some 400 U.S. corporations.

Council of Better Business Bureaus Inc.
1515 Wilson Boulevard
Suite 300
Arlington, VA 22209
(703) 276-0100
Umbrella organization representing Better Business Bureaus across the country. Operates an advisory service that provides information and advice to corporations, foundations, soliciting organizations, Better Business Bureaus, Chambers of Commerce, legislative and regulatory agencies, the press, professional associations, and the public. Reports on organizations that solicit funds nationally or internationally, and evaluates them according to BBB standards for charitable solicitations. Other services include specialized research for inquirers and checking contributions lists for corporate members. Publications include *Insight*, a bimonthly newsletter on general philanthropic topics; *Give But Give Wisely*, a quarterly listing of soliciting organizations' compliance or noncompliance with BBB standards; and special bulletins on current problems.

Council on Foundations Inc.
1828 L Street, N.W.
Washington, DC 20036
(202) 466-6512
The Council on Foundations is a national membership organization representing independent, community, and company-sponsored foundations and corporate contributions programs throughout the United States. Founded in 1949 and incorporated in 1957 as a publicly supported charitable organization, the council and its members work to increase public understanding of the role of philanthropy in American life. The council serves as a clearinghouse for information and provides its members with technical and advisory services on legislative and regulatory matters, administration, grantmaking, and funding. The council encourages effective grantmaking and assists grantmaking institutions through its publications, conferences, workshops and consultative services. It publishes the bimonthly *Foundation News* and regularly issues other publications related to grantmaking.

Foundation Center
888 Seventh Avenue
New York, NY 10106
(212) 975-1120
(800) 424-9836
Educational and service organization established to collect, organize, and disseminate information about foundations and the grants they make. Also collects and makes available published information about the foundation field and its relationship to government and society, including historical records and supporting references in related fields. Most programs are geared toward grantseekers, but corporate grantmakers may find a number of references and publications useful. The center's technology information service also provides information for grantmakers on new office technology. The center maintains research libraries in New York, San Francisco, Washington, D.C., and Cleveland and there are 86 cooperating collections across the country. Publications include *Corporate Foundation Profiles*, Foundation Grants Index Annual Cumulation, Comsearch printouts (annual), the *National Data book* (annual), *The Foundation Directory* (biennial), and other bibliographies and brochures.

Independent Sector
1828 L Street, N.W.
Washington, DC 20036
(202) 659-4007
Nonprofit membership organization of national voluntary organizations, foundations, and corporations. Seeks to improve the public's understanding of the independent sector, encourage effective management of philanthropic and voluntary organizations, and assist public/private sector communications. Active in public education, communication, research, and government relations; conducts meetings on selected topics and an annual conference on philanthropy. Publishes *Corporate Philanthropy, an Information Service*, a bimonthly newsletter, reports, and occasional papers.

National Center for Charitable Statistics
c/o United Way of America
888 North Fairfax Street
Alexandria, VA 22314
(703) 836-7100
Recently established organization; seeks to improve the scope and quality of available data on voluntary charitable organizations. Obtains information from reports filed with the Internal Revenue Service and with state governments; works with states to make these data available in machine-readable form. The center's work is sponsored by the Council on Foundations, Independent Sector, the National Information Bureau, and United Way of America.

National Information Bureau
419 Park Avenue South
New York, NY 10016
(212) 532-8595
Reporting and advisory service for contributors; evaluates national nonprofit soliciting organizations against eight basic standards and publishes reports about the individual agencies. Each report includes a statement about the agency's origin and purpose, program activities, financial and tax status, and a comment and conclusion. Publications include the monthly *Wise Giving Guide*, which summarizes NIB conclusions of its latest reports and recently evaluated organizations, and an occasional "Wise Giving Bulletin."

President's Task Force on Private Sector Initiatives
734 Jackson Place, N.W.
Washington, DC 20500
(202) 395-7362
Task force appointed by President Reagan to encourage public/private partnerships at the community level in order to identify community needs and marshal resources to meet those needs. Activities include examining incentives and impediments to private initiative, studying ways to improve private sector contributions strategies and the effective use of charitable dollars, collecting information on successful initiatives and developing a machine-readable project data bank, and preparing "how-to" materials based on successful community projects.

United Way of America
801 North Fairfax Street
Alexandria, VA 22314
(703) 836-7100
United Way of America is the nonprofit membership association of local United Way organizations. United Way of America offers volunteer and professional training, fundraising, planning, allocations, government relations, labor relations, communications, national agency relations research, and data collection services to members. Publications include a bimonthly magazine, ***Community***, and a quarterly ***Digest of Selected Reports***, which lists available reports on such topics as deferred giving programs, health services, volunteer training, management and technical assistance to communities, and tips on the 1981 tax act. Also publishes a number of books, pamphlets, and newsletters.

Affinity Groups

Affinity groups of grantmakers provide information and services to grantmakers interested in a particular program area or field of grantmaking. Some groups are less formal than others; interested grantmakers might meet in preconference sessions at the annual conference sponsored by the Council on Foundations, or periodically at meetings that feature speakers in the field. Formal affinity groups often develop from the less formal groups. The three listed below have a staff (full-time or part-time) and a specific program.

Grantmakers in Health
70 West 40th Street
New York, NY 10018
(212) 869-9046
Contact: Catherine McDermott

Grantmaking International
777 U.N. Plaza
Fifth Floor
New York, NY 10017
(212) 490-0010
Contact: Jane Lawrence

Precollegiate Education Group
c/o Council on Foundations
1828 L Street, N.W.
Washington, DC 20036
(202) 466-6512
Contact: Mary Leonard

Professional Organizations

Professional organizations of grantmakers provide services, research, and information for staff and trustees or directors of grantmaking organizations. Some collect information or conduct research on funding for particular groups or types of programs; others operate primarily as a network of grantmakers. Like affinity groups, some are more formal than others. The more formal groups have dues-paying members and sponsor annual meetings and smaller workshops or meetings throughout the year. Newsletters, memoranda, occasional papers, and studies may also be part of their programs.

Association of Black Foundation Executives
2801 North Meridian Street
Indianapolis, IN 46206
(317) 924-5471
Contact: Charles Blair

Hispanics in Philanthropy
c/o James Irvine Foundation
One Market Plaza
Steuart Tower, Suite 2305
San Francisco, CA 94105
(415) 777-2244
Contact: Luz Vega

National Network of Grantmakers
919 North Michigan Avenue
Fifth Floor
Chicago, IL 60611
Contact: Margaret Standish, Co-convenor
(617) 262-9515
George Penick, Co-convenor
(919) 748-9222

Women and Foundations/
Corporate Philanthropy
70 West 40th Street
New York, NY 10018
(212) 759-7712
Contact: Joanne Hayes

Regional Associations

Regional associations are membership organizations of grantmakers in a particular geographic area. They may encompass a region (for example, Southeastern Council of Foundations), or a state or metropolitan area. Each provides services according to members' needs; these may include workshops or seminars on the grantmaking process, annual meetings or conferences, legislative and regulatory monitoring and reporting, and publications such as newsletters, memoranda, directories, and special reports. In addition to member services, associations often conduct research and surveys, maintain contact with the grantee community, and provide a forum for grantmakers to exchange ideas and experiences.

Multi-state Associations

Conference of Southwest Foundations
P.O. Box 8832
Corpus Christi, TX 78412
(512) 855-3611
Contact: Maud W. Keeling, executive secretary

Southeastern Council of Foundations
134 Peachtree Street, N.W.
Suite 1100
Atlanta, GA 30303
(404) 524-0911
Contact: Robert H. Hull, executive director

State or Multi-county Associations

Council of Michigan Foundations
18 North Fifth Street
Grand Haven, MI 49417
(616) 842-7080
Contact: Dorothy A. Johnson, executive director

Foundation Forum of Wisconsin
161 West Wisconsin Avenue
Suite 5132
Milwaukee, WI 53203
(414) 765-0350
Contact: Richard W. Yeo, managing director

Minnesota Council on Foundations
1216 Foshay Tower
9th and Marquette
Minneapolis, MN 55402
(612) 338-1989
Contact: Jacqueline Reis, executive director

Northern California Grantmakers
210 Post Street
Room 814
San Francisco, CA 94108
(415) 986-0333
Contact: Shauna D'Ambrosi, acting executive director

Pacific Northwest Grantmakers Forum
1370 Stewart Street
Seattle, WA 98109
(206) 682-3782
Contact: Bill Litwiller

Greater City Associations

Associated Grantmakers of Massachusetts Inc.
294 Washington Street
Room 501
Boston, MA 02108
(617) 426-2606
Contact: Janet C. Taylor, executive director

Clearinghouse for Midcontinent Foundations
P.O. Box 7215
Kansas City, MO 64113
(816) 276-1176
Contact: Linda Talbott, executive director

Co-ordinating Council for Foundations Inc.
999 Asylum Avenue
Hartford, CT 06105
(203) 525-5585
Contact: Bertina Williams, executive director

Donors Forum of Chicago
208 South LaSalle
Room 600
Chicago, IL 60604
(312) 726-4877
Contact: Eleanor Petersen, president

Metropolitan Association for Philanthropy
5600 Oakland Avenue
Room G-324
St. Louis, MO 63110
(314) 647-2290
Contact: Amy Rome, executive director

New York Regional Association of Grantmakers
112 East 64th Street
New York, NY 10021
(212) 750-6042
Contact: Barrie Pribyl, executive director

Rochester Grantmakers Forum
Rochester Area Foundation
315 Alexander Street
Rochester, NY 14604
(716) 325-4353
Contact: Linda S. Weinstein, executive director

San Diego Grantmakers Group
San Diego Community Foundation
625 Broadway
Suite 1105
San Diego, CA 92101
(714) 239-8815
Contact: Helen Monroe, executive director

Southern California Association for Philanthropy
Westwood Center
1100 Glendon
Suite 1414
Los Angeles, CA 90024
(213) 208-4947
Contact: Lon Burns, executive director

Other Resources

Additional national groups, including "think tanks" and national research programs, may also provide general information, research, and background about other areas important to grantmaking. A few are listed below.

American Enterprise Institute for Public Policy Research
1150 17th Street, N.W.
Washington, DC 20036
(202) 862-5800

Brookings Institution
1775 Massachusetts Avenue, N.W.
Washington, DC 20036
(202) 797-6000

Chamber of Commerce of the USA
1615 H Street, N.W.
Washington, DC 20062
(202) 659-6000

Committee for Economic Development
1700 K Street, N.W.,
Suite 700
Washington, DC 20006
(202) 296-5860

Urban Institute
2100 M Street, N.W.
Washington, DC 20037
(202) 223-1950

Yale Program on Non-Profit Organizations
Yale University
P.O. Box 154 Yale Station
88 Trumbull Street
New Haven, CT 06520
(203) 436-4237

Glossary of Philanthropic Terms

Please note that these definitions are written with their specific relationship to corporate giving in mind.

Annual report. Yearly publication focusing on financial, program, and governance information of a corporate giving program or foundation. Annual reports usually describe the grantmaker's priority funding areas, grantmaking policies and procedures, guidelines for grantseekers, and programs that received grants in that year. Financial pages list assets, income, granted funds, and operating expenses. Granted funds may be broken down by program area (such as education, scientific research, youth services), and specific organizations as well as by amounts.

Assets. Financial holdings of a foundation that may provide some or all of its grantmaking income through investments. *See also* Endowment.

Audit. A methodical review of an organization's financial position by persons appointed to conduct an examination of the financial records. Many grantmakers require grantseekers to provide an audited financial statement, if one is available, when submitting a grant request. Organizations, including foundations, often publish the audit as part of their annual report.

Capital grant. Grant to provide funding for buildings, construction, or equipment, rather than program or operating expenses.

Challenge grant. Grant contingent on the recipient's raising additional funds from other sources. For example, a corporation might award an organization $1 for every $3 in new money raised from individuals. *See also* Matching gift.

Charitable contribution. *See* Deductible contribution.

Committed funds. That portion of a corporation's philanthropic budget that has already been allocated or pledged to organizations, groups, or specific programs, such as United Way, a local health center, or an employee matching gift program.

Community foundation. A public charity supported by combined funds contributed by individuals, foundations, nonprofit institutions, and corporations. A community foundation's giving is limited almost exclusively to a specific locale, such as a city, a county or counties, or a state. Although it seeks funds to be held as an endowment, with the income used to make grants, a community foundation accepts funds from donors who authorize principal to be used to make grants, in whole or in part. Donors may designate specific charitable agencies or provide that grants be made for charitable purposes at the discretion of the foundation's public board. Many community foundations also permit donors to advise as to the agencies and activities to be considered for grants.

Community Reinvestment Act. Passed by Congress in 1977, the Act requires that certain federal agencies use their regulatory powers to encourage banks to help meet the credit needs of the communities they serve, including low-income and moderate-income neighborhoods. Two key aspects of the Act are intended to urge banks to market their services affirmatively throughout the entire community, and to create a continuing dialogue between a bank and its community to enable the bank to become more aware of and appropriately responsive to, the needs of that community.

Company-sponsored foundation. *See* Corporate foundation.

Contributions committee. A committee, usually drawn from a corporation's board, executive staff, and employees, sometimes including outside members, that is charged with determining policy and overseeing the corporation's philanthropic activities. Its responsibilities may include determining the contributions policy and budget; defining priority funding areas, guidelines for grant applicants, and criteria for applicant eligibility; and approving the recipient and amount of each grant. The committee may also oversee philanthropic programs other than direct grants, such as employee involvement and loaned executive programs.

Contributions policy. A statement that outlines the parameters of a corporation's philanthropic activity, usually drawn up and approved by the corporation's board or its contributions committee. A policy statement may include grantmaking goals and objectives, priority program areas that receive funding, the types of organizations eligible to receive funding, grant application procedures, and the timetable for reviewing proposals and awarding grants.

Cooperative venture. A joint effort of one or more grantmakers or a governmental unit. Each partner may participate through sharing information, technical resources, funds, research, and so on.

Corporate contributions. A general term referring to charitable contributions by a corporation. It is usually used to describe cash contributions only but may also include other items, such as the value of loaned executives, products, and services.

Corporate foundation. A private philanthropic organization set up and funded by a corporation. A corporate foundation is governed by a board that may include members of the corporation board and contributions committee, or other staff members, and representatives of the community. Although corporate foundations are subject to the same rules and regulations as other private foundations, they often do not have substantial assets of their own but depend on funds paid by the corporation to the foundation each year.

Corporate giving program. A philanthropic program operated within a corporation. The program may be managed through a department of its own or through a community affairs (or similar) department. Grantmaking policy is usually determined by a contributions committee.

Deductible contribution. A contribution (gift) to a charitable cause that is allowed as a deduction from taxable income by the Internal Revenue Service. Corporate contributions to social programs and organizations are in some cases assumed as business expenses.

Employee involvement. Employee's participation or work with a charitable or educational organization. This may be done entirely on the employee's initiative, with no support from the corporation, or it may be part of a highly structured program.

Endowment. Stocks, bonds, property, and funds given permanently to a foundation so that it may produce its own income for grantmaking purposes.

Expenditure responsibility. Grants by private foundations to traditional nonprofit organizations—churches, schools, medical facilities, and other publicly supported agencies—are presumed to be charitable and require no extra documentation for the Internal Revenue Service. Grants to any other type of organization—another private foundation, a profitmaking business, a civic league, labor organization, and so on—require the private foundation to exercise additional "responsibility" to be certain the funds are "expended" in an acceptable manner. Specifically, the foundation must ensure that the grant is used solely for the purpose for which it was made, must obtain complete reports from the grantee on how the funds were spent, and must report in detail to the Internal Revenue Service on any such expenditures.

Federated drive. A joint fundraising effort on behalf of several nonprofit organizations. Usually run by an organization that is itself nonprofit, contributed funds are distributed to its member organizations according to its own criteria. United Ways, joint arts groups, and organizations such as the United Negro College Fund sponsor federated drives.

Flow-through funds. Corporate contributions to a corporate foundation that are used primarily for direct grantmaking, not for endowing the foundation permanently. Most corporate foundations depend on these funds each year rather than on income produced from endowment.

Form 990-PF. Annual tax return that private foundations (including company-sponsored foundations) must file with the Internal Revenue Service. A similar form is also filed with the appropriate state offices. Includes information about the foundation's assets, income, operating expenses, contributions, paid staff and salaries, name and address of a person or persons to contact, program funding areas, grantmaking guidelines and restrictions, and grant application procedures. Prior to 1981 private foundations filed two such forms, the 990-AR and the 990-PF.

Foundation. A nongovernmental, nonprofit organization with funds and a program managed by its own trustees and directors, established to further social, educational, religious, or other charitable activities by making grants. A private foundation receives its funds from, and is subject to control by, an individual, family, corporation, or other group of limited number. In contrast, a community foundation receives its funds from multiple public sources and is classified by the Internal Revenue Service as a public charity.

Foundation board of directors. Governing and policy-making body of a foundation, including a company-sponsored foundation. (A company-sponsored foundation's board members may include members of the corporation's board, members of the contributions committee and the contributions staff, members of the community, and others not affiliated with the corporation.)

Giving categories. Specific program areas that receive funding, such as education, the arts, and services for the elderly.

Grant. A contribution of money to an organization, institution, group, or individual to accomplish a specific or general purpose.

Grant contract. A statement, signed by both grantmaker and grant recipient, describing how the grant is to be used and what reporting is required.

Grant evaluation. Before a grant is made, evaluation is an analysis of an organization and its programmatic plans (given in a grant proposal) to determine whether it meets a grantmaker's criteria. May include examination of past programs, financial records, and research or needs assessments conducted in the program area. After a grant is made, evaluation is a method of assessing a grant's effect, its success, failure, and so on based on the needs or purposes it was designed to meet and the goals that were to be achieved. Includes an assessment of how the grant dollars were actually spent.

Grant limitation. Limitation of the purposes for which grants will be awarded by a corporation or its foundation (for example, a corporation might not award grants to religious organizations); or, conditions or restrictions placed on a grant so that it will be used solely for specific purposes.

Grant request. A request for funds that may be in the form of a short exploratory letter or a complete proposal.

In-kind contribution. A corporate contribution that is not in cash. Such a contribution may take a variety of forms: for example, a donation of used office furniture or equipment, access to the company's computer to keep mailing lists or financial records, supplying printing services, office space, or the professional services of employees.

Leveraging. Funding a program in a way that will enhance or encourage grants from other private, public, or individual sources.

Loaned executive. A management-level employee who is granted temporary, full-time or part-time paid leave from his or her corporate duties to serve in some capacity (usually related to his or her job skills) with a nonprofit, charitable, or educational organization.

Matching gift. A grant by a corporation that matches an amount contributed, usually by an employee, to a nonprofit organization. It may be an exact match of funds or a ratio match, such as $3 given for every $1 contributed by an employee. *See also* Challenge grants.

Nonprofit. A term describing the Internal Revenue Service's designation of an organization whose income is not used for the benefit or private gain of stockholders, directors, or any other persons with an interest in the company. A nonprofit organization's income is used to support its operations.

Payout requirement. The Internal Revenue Code requirement that all private foundations, including corporate foundations, pay out annually in grants and contributions the equivalent of 5 percent of the value of their investment assets.

Percentage clubs. Groups of corporations in specific locales that make yearly charitable contributions or grants that total a set percentage of their pre-tax net income (for example, there are 2 percent clubs and 5 percent clubs in several cities). Their guidelines vary as to what can be included in the total and over what time period. A club may be started by several corporations or a local Chamber of Commerce. Percentage clubs exist to encourage local corporations to meet or exceed the club's minimum giving percentage.

Percentage of pre-tax net income. The percentage of income, before income taxes, that a corporation earmarks for philanthropic use. (Percentages based on domestic income and worldwide income differ greatly for some corporations.) This is the most common measurement used in analyzing corporate giving. It is also used by many companies to establish a contributions goal. *See* Pre-tax net income.

Pilot project grant. A grant to fund a first-of-its-kind program in one place to determine how well it works and if it might be replicated elsewhere.

Planning grant. Grant that funds the planning process of a program—it might, for example, support surveys to determine the scope of a program or needs it should address.

Pledge. A commitment to contribute a certain amount of money, or specified assets, either at one time or over a period of time, to a particular organization.

Pre-tax net income. A corporation's annual net income, before it has paid taxes. The Internal Revenue Service allows corporations to deduct contributions to charitable organizations, up to 10 percent of the corporation's taxable income, with a five-year period in which contributions in excess of 10 percent can be carried forward. However, corporations do not usually release information on their taxable income, and data collected by groups such as the Conference Board are based on income before income taxes. Taxable income and income before taxes may be similar or very different, depending on the industry and the corporation's tax structure.

Private operating foundation. A foundation that, although lacking general public support, devotes most of its earnings and assets directly to the conduct of its tax-exempt purposes (for example, operating a museum or home for the aged), rather than making grants to other organizations for these purposes.

Program grant. Grant earmarked to fund a specific project or program activity of an organization rather than for general operating expenses.

Program officer. Staff member in a foundation or corporate contributions office who is responsible for screening grant applications, researching the organization or program seeking funds, reviewing proposals, and making recommendations about grants, often in a particular area, to the contributions committee or board.

Program-related investment. A loan made by a foundation to a profitmaking or nonprofit organization for a project related to the foundation's stated purposes and interests. Program-related investments are often made from a revolving fund; the foundation generally expects to receive its money back (sometimes with a return at or below current interest rates).

Proposal. Written request (in a format determined by the grantmaker) for a grant or contribution. Usually outlines why the grant is needed, the need or purpose it will serve, the plan for meeting the need or purpose, the amount of money needed, and background (general and financial) about the applicant.

Public charity. Charitable organizations (those designated under Section 501(c)(3) by the Internal Revenue Service) qualify as public charities, private operating foundations, or private foundations. A public charity as defined in Section 509 (identified by the Service as "not a private foundation") normally receives a substantial part of its income, directly or indirectly, from the general public or from government. The public support must be fairly broad, not limited to a few individuals or families.

RFP (request for proposal). A term commonly used by the federal goverment when it solicits contract or grant proposals.

Regional association. Membership organization of grantmaking groups, such as foundations and corporate contributors, based in a specific area; may be citywide, statewide, or regional in scope. Associations provide a variety of member services (workshops, conferences, monitoring of relevant legislative activity, publications) according to members' needs. Association budgets are supported by member dues.

Restricted grant. Grant that is to be used for certain defined purposes or within a certain time, as determined by the grantmaker.

Section 501(c)(3). Internal Revenue Code section that defines exempt organizations—those organized and operated exclusively for religious, charitable, scientific, literary, educational or similar purposes. Many foundations restrict their grantmaking to 501(c)(3) organizations. Contributions to 501(c)(3) organizations, with the single exception of the "testing for public safety" category, are deductible as charitable donations for federal income tax purposes.

Seed money. Charitable funds that are used to defray start-up costs of a program.

Site visit. Fact-finding visit by a grantmaker to an organization that has applied for or received funding. It may also be a visit to the area(s) and institution(s) that are affected by the grant request.

Social audit. An examination of a corporation's actions and use of resources as they affect both employees and the communities and society in which it operates. A social audit may examine personnel policies and procedures, investment activities, grantmaking policies, and response to community needs in general.

Tax-exempt. A classification granted by the Internal Revenue Service to qualified nonprofit organizations that frees them from the requirement to pay taxes on their income. Private foundations, including endowed company foundations, are tax-exempt; however, they must pay a 2 percent excise tax on net investment income.

Technical assistance. Operational, financial planning, legal, or other management assistance given to nonprofit organizations. Such assistance might be rendered through a corporate employee with the needed expertise, or the company may pay for the services of an outside expert.

Umbrella group. A group that represents regional and local organizations or groups of organizations. For example, the Council of Better Business Bureaus is an umbrella group representing and benefiting local Better Business Bureaus across the country.

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